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16 August 1984

NEAR EAST/SOUTH ASIA REPORT

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ARAB FUND LOANS MADE TO PDRY, ALGERIA

London AL-HAWADITH in Arabic No 1438, 25 May 84 p 53

[Text] The Arab Fund for Economic Development recently signed three agreements in Abu Dhabi. Two of these agreements were with South Yemen and the third was with the Algerian Government.

The last agreement is essentially an amendment to the specifications of a loan allocated to the Algerian Jijel port project which the Development Fund helped finance with a loan of 12 million Kuwaiti dinars.

The amendment of the specifications does not alter the importance of the project, which is aimed at developing the Jijel area through the construction of an iron and steel complex along with associated supporting services. This will help create some 20,000 job opportunities, which is especially important because this area suffers from chronic neglect.

The project will work to link the port with the aforementioned complex, which will provide some 75 percent of the port's traffic. The project will also assist in the exportation of the products of the iron and steel plant in (Bel Air), which has an annual production capacity of 2 million tons.

The first of the two agreements signed with South Yemen provides for a loan of 3.7 million Kuwaiti dinars as part of the financing of the Hadramawt Valley agricultural project. This project will help increase agricultural production and achieve greater self-sufficiency in fruits, vegetables, and grains as well as increasing the incomes of farmers in the project area and raising their living standards. The loan covers approximately 32 percent of the costs of the project. Other participants in the project include the Kuwaiti Fund for Arab Economic Development and the International Development Organization.

The second agreement provides 1.2 million Kuwaiti dinars for the financing of a project involving water source planning and geological planning in both parts of Yemen. The total cost of this project is 3.3 million Kuwaiti dinars.

INTERNATIONAL AFFAIRS

CAIRO, TUNIS ECONOMIC COOPERATION EXPANDING

London AL-TADAMUN in Arabic No 63, 23 Jun 84 p 63

[Article: "Egypt's Open Door Turns Westward; States of Maghreb Find in Egypt Substitute for Europe"]

[Text] The signs of restored economic relations between Egypt and the Arab world are numerous and tangible to all. This has been especially true during the past year, in which the temperature of official meetings rose to the ministerial level and agreements were signed in solemn ceremonies with full and conspicuous media coverage by all parties, after a period when mutual relations and transactions took place secretly and clandestinely, without media attention.

However, the new day which is worth recording and observing is not connected with Egypt's efforts toward an economic and commercial opening to the Arab world, its attempt to break the Camp David political isolation, and the consequences which have followed these efforts. The new element is the fact that the Arab Maghreb is also beginning to look for an opening to the east, and its natural gateway to the Arab East passes through Egypt. It is as if the traditional economic and commercial isolation between the Arab East and West has started to break its bonds and dissolve. The problem is that that is happening late and under the shadow of necessity, with its imperatives and its pressure.

During the month of May 1984, for the first time in years, Cairo witnessed a Tunisian economic and commercial overture in a visit by Ahmad al-Jadad, head of the Tunisian-Moroccan League of Brotherhood and Cooperation, a member of the ruling Destour Party and a businessman. Contacts were made in Cairo on the official level during a meeting with Dr Mustafa al-Sa'id, minister of economy and foreign trade, and with businessmen and their organizations during his meetings with the Society of Egyptian Businessmen and its president, Sa'id al-Tawil.

The important thing in the Tunisian economic and commercial movement toward Egypt and the Arab East is the fact that the Tunisian delegation came not only to discuss priorities and principles, but also to propose that a delegation of Tunisian businessmen in the commercial, financial, economic, industrial and tourism fields come to Cairo quickly to reach agreement with the Egyptians on a true and earnest beginning toward cooperation and joint action.

Actual agreement was reached on holding a joint meeting of Egyptian and Tunisian businessmen in Cairo during the month of June. It was also agreed that that would be followed by another meeting in Tunis, also bringing together businessmen from the two countries. At the same time, official contacts and relations on the government level in the two countries would be encouraged.

The question remains linked with the vital and necessary nature of opening toward the Arab East, not only for Tunisia but also for the rest of the states of the region.

The new decisive element arises from the nature of the traditional relations which have prevailed for many years between the nations of the Arab Maghreb and the European Common Market, since the markets of the European states belonging to the Common Market have been traditional markets for selling products, making investments, and obtaining technological and training expertise for the states of the Arab Maghreb, especially Tunisia and Morocco. In addition, there are a large number of natives of these countries, particularly Algerians, in the Common Market countries, especially France.

However, with the recent expansion of the membership circle of the European Common Market and the abundance of industrial and agricultural products to be sold in the Common Market, competition and overcrowding have been affecting Tunisian and Moroccan exports to these markets. It is difficult competition because customs limitations and the size of the restrictions imposed on the movement of commodities within the Common Market cannot permit competition from others from outside, even if they enjoyed detailed agreements with the Common Market and better conditions for commercial exchange and economic transactions.

The only substitute now available to the nations of the Arab Maghreb is represented in the trend toward the Arab East to look for markets to sell their products and to establish new types of joint economic and investment relations, in addition to achieving a type of preferred relations within the Arab Maghreb itself and among its countries.

In the forefront of Tunisian commercial concerns are exports of textiles and ready-to-wear clothing. The value of annual exports of these items to the countries of the Common Market is about 450 million Tunisian dinars, and they are looking for new markets for these products as well as for Tunisia's production of food commodities, olives, and oils.

There are wide possibilities for increasing trade between Tunisia and the state of the Arab East, especially Egypt, since trade between the two is now limited to only about \$16 million including 4.6 million pounds in Egyptian exports to Tunisia. These include \$2.76 million in cigarettes and \$1.6 million in cotton thread. Tunisian exports to Egypt amount to \$11.4 million, primarily phosphate worth about \$10 million and chemicals worth about \$1 million. It is clear from that that there are very limited fields of trade between the two countries and that there are no real efforts to modify trade relations and commodities traded between the two countries. The Tunisian proposal includes setting up a joint

shipping line between the ports of the two countries to strengthen trade relations; reaching agreement on implementing customs exemptions and reductions on commodities produced in both countries; and establishing joint investments in economic activities which fill consumer needs for the two countries and the Arab world.

During the talks and meetings between the two sides, the question arose of the need for a policy of serious consideration by Arab economists, politicians and executives of the statistical indicators for air transport of goods and commodities throughout the Arab world. It is said that there are 65 empty tons a week on Arab aircraft crossing from the Arab Gulf to the Atlantic coast which are not utilized and taken advantage of. One of the main reasons for that is the excessive rise in the cost of shipping and air transport among the Arab states. Ways must be considered to reduce these costs at least to a level to eliminate the present situation of no return or material or economic benefit to Arab airline companies and to Arab economies and relations.

Therefore, turning east, west, north and south along the Arab world, creating Arab entities which are commercially and economically integrated, is not a frivolous request to be rejected or accepted. Rather, it is an irreplaceable necessity for life, development and the future, and it is the only Arab economic, commercial and investment choice.

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CS0: 4504/333

STUDIES EXAMINE ECONOMIC CONDITIONS UNDER 'ABD AL-NASIR, AL-SADAT

London AL-TADAMUN in Arabic No 63, 23 Jun 84 pp 61-62

[Article: "Four Studies Evaluate 'Abd-al-Nasir and al-Sadat Eras"]

[Text] Experts in the National Center for Social Research in Cairo have discussed 14 economic studies dealing with 4 subjects, the first being a study to evaluate the experiment of socialist change during President Jamal 'Abd-al-Nasir's era, which began with agricultural reform regulations and redistribution of agricultural property in 1953, followed by Egyptianization of banks and nationalization in 1957 and 1961.

Another study dealt with the experiment of the open-door economic policy during President Anwar al-Sadat's era from 1974 to 1981 and its effects on the structure of economic and social values in Egyptian society. Specifically, the study dealt with:

The open-door economy, its constitutional framework and impact on political participation and the open-door policy's effect on the strategy of growth and on styles of consumption. Amani Qandil, researcher at the National Center, described the operation of formulating economic policy during the period that witnessed the establishment of the economic open-door policy from the early seventies until the incident on the reviewing stand in 1981. The researcher dealt with the constitutional and political framework, who makes economic policy decisions in Egypt and how such decisions are formulated. The researcher affirmed that the open-door policy left a new understanding of free market activity--an understanding that differs fundamentally from the sixties' socialist experiment, comprehensive planning and a directed economy. The researcher also pointed to President al-Sadat's role in politicizing the open-door policy, as well as the role of the superpowers, including the United States, and of the International Monetary Fund and the World Bank.

In a third study, Jamal Zahran, a researcher at the center, dealt with the economic open-door policy's effect on the distribution of political forces in Egyptian society and on society's participation in politics. The researcher applied his study to the Shubra al-Khaymah area, an area, with political energy, not because of its population density or proximity to Cairo, but because it contains the largest grouping labor in Egypt and was visited by three presidents, 'Abd-al-Nasir, al-Sadat and Mubarak. The researcher affirmed at the conclusion of his study that the economic open-door policy had rearranged the map of political forces in Egyptian society.

The fourth study was a comparison between socialist change during President 'Abd-al-Nasir's era and the period of the economic open-door policy under President al-Sadat. The study concluded that while the former benefitted a large sector of the people, both by redistributing agricultural property through agricultural reform laws and by labor participation in factory management after the nationalization decisions of July 1961, the open-door experiment benefitted a limited number of investors who channeled their money into quick-profit projects and aroused the hunger of the Egyptian people for luxury consumption without carrying out production projects that would have increased Egyptian production capacity. While 'Abd-al-Nasir's experiment reclaimed about 900,000 feddans and built 1,000 factories, including war, heavy and processing industries, we find that the only achievement of the open-door experiment was that it reclaimed approximately 50,000 feddans in al-Salihyah, the economic benefits of which are still under study. At the same time, almost all international carbonated water companies gained representation in Egypt. While the gap between wages and individual and family income narrowed during the 18 years of President al-Sadat's era created a tremendous gap among wages, income and salaries. It is sufficient to compare the salaries of government and public sector employees with those of investment company employees or to compare true producers with those who dabble with illegal earnings and cause damage to the values of work and production.

Because of the above, using these economic assessments of the socialism of 'Abd-al-Nasir's era or the open-door policy of al-Sadat as to the magnitude of benefits and mistakes will undoubtedly help round out economic and financial reform movements in Egypt during President Mubarak's term. The latter has proven that calm, measured change has enabled him to achieve more satisfactory, profound and effective results, whether in changing Egypt's Arab and foreign policies or in economic changes and that of domestic national labor.

9882

CS0: 4504/332

FOREIGN EXCHANGE BLACK MARKET, IMPACT ON ECONOMY

London AL-TADAMUN in Arabic No 63, 23 Jun 84 pp 64-65

[Article by Usamah Ghayth: "'Exchange Rate Curse' Is Modern Egyptian Tale; Interwoven Interests Control Currency Black Market to Tune of \$3.5 Billion"]

[Text] In Egypt there is a modern tale about the "exchange rate curse," which affects anyone who tries to deal with the problem of the Egyptian pound exchange rate as compared to the international free currencies, led by the American dollar. The outward signs of this modern tale indicate that the ministers of the economic and financial sector have lost their positions and have left their ministries never to return, for no sooner does one of them approach the exchange rate problem, become acquainted with it and get ready to solve it, than he loses his ministerial position, even though his theories were no more than ideas and suggestions discussed by ministerial committees upon which opinions did not coincide and which went no further, never becoming actual decisions.

The last episode of the fascinating exchange rate saga will come when all former ministers of economy and finance become presidents of "open-door" banks. The strange thing is that with the new reality and in accordance with changing interests, their positions on solving the problems of the exchange rate of the Egyptian pound have changed and new principles have been adopted that were either not around or not suggested before.

The most recent victim in the exchange rate saga, who almost said farewell to his ministry position, is Dr Mustafa al-Sa'id, minister of economy and foreign trade. This time questions were raised about his position on currency trade, the measures he took regarding currency dealers and his interviews on the investigation of five "open-door" banks that violated banking laws by issuing bank checks with tens of millions of pounds in deferred payments without clear guarantees and these checks were paid by other banks in continual circles of mutual understandings and interests. This was revealed publicly by police efforts a few months ago in tracking down a number of offices and providing employment for Egyptians outside the country. The issue has changed from one of currency dealing to one of excesses and corruption practiced by some banks in disregard of banking laws and traditions honored around the world.

In light of the requirements of the Egyptian economy since the mid-seventies and recommendations by International Monetary Fund experts, the official rate of the

Egyptian pound was devalued from 39 to 70 piasters per American dollar, to which the Egyptian pound exchange rate is pegged and on whose basis all other currencies are valued against the pound. During the same period, an incentive rate for all currencies of 84 piasters to the dollar was applied. The official rate is calculated by assessing the customs value of Egyptian imports and imports of basic subsistence goods, which are converted vis-a-vis revenue from the country's leading exports, primarily petroleum, cotton and rice, and Suez Canal revenues. Two factors have brought the exchange rate problem to the public concern and spurred the current economic dialogue: One, limits on transactions at the incentive rate for free currencies narrowed, placing a burden on the government, since it makes the currencies available at rates lower than their actual values; two, the free market rate was turned loose and increased beyond the 125 piaster barrier for the first time, with unabated steady demand on free currencies, particularly the dollar. In addition, although measures to rationalize imports, without currency conversion, succeeded in rationalizing the types of imports, or succeeded in rationalizing imports of consumer and luxury goods, they did not succeed in rationalizing the amount or value of imports, since the total value of imports, without currency conversion, rose to 1.4 billion pounds in 1983, compared to 1.2 billion in 1982, which meant an increased demand for foreign currency to meet import requirements.

Compounding the problem is the fact that the economic open-door companies are directing production to meet domestic market requirements and are not concerned with exports. They are meeting their requirements for free currencies on the black market to import the production materials they need and to pay the foreign partner his share of profits. Egyptian tourist expenditures abroad over the last 2 years also entered the picture and resulted in free-currency expenditures by Egyptian tourists abroad greater than that of foreign tourists in Egypt.

There are other factors which are connected to the drop in foreign currency revenue from of about 500 million pounds petroleum exports during the current fiscal year 1983-84 with the world-wide drop in petroleum prices. On the other hand, there are ambitious development plans with increasing requirements for free currencies to provide machinery, equipment and production necessities to achieve an annual growth rate of no less than 7.5 percent.

The greatest incentive for concentrated attempts to invade the currency black market was its ever-increasing amount of transactions, which semi-official estimates put at \$3 to \$3.5 billion during 1983, with profits between 300 and 350 million pounds at a profit ratio that never drops below 10 percent.

The magnitude of the figures in the black market becomes clear when its transactions are compared with those of the Commercial Banks Center for Foreign Currency, which amounted to only \$2.5 billion during 1983 and were financed by foreign credit facilities, remittances from Egyptians abroad and public sector export revenue. All of these are earmarked to finance imports of capital and intermediate goods to meet basic development requirements. Transactions were to have been within the scope of the commercial banking association on the basis of the incentive rate; however, transactions are actually taking place at rates that approach black market currency rates.

Efforts in the latest attempt to confront the exchange rate problem are almost totally concentrated on maintaining a real rate for selling and buying free currencies that would guarantee the flow of monetary revenue for the commercial banking center to finance basic growth requirements. The suggested real rate is 112 piasters to the dollar, the rate of remittances of savings by Egyptians abroad through exchange institutions in Saudi Arabia. The rate could increase to 114 or 115 piasters to the dollar.

The minister of economy and foreign trade was about to announce the new exchange rate regulations, which include a partial floating of the Egyptian pound within the sphere of the commercial banking center; however, opposition intervention delayed announcement of the decisions, of which a large number have already been implemented, the most important being that the exchange rate for buying dollars in Egyptian public sector banks would be 112 piasters, with the same rate for remittances, bank notes and bank checks.

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NEGATIVE EFFECTS OF FLIGHT OF SKILLED LABOR TO GULF STATES

London AL-TADAMUN in Arabic No 63, 23 Jun 84 pp 65-66

[Article by Muhammad 'Abd al-Tawwab: "Flight of Egyptian Labor... Blessing or Misfortune? Shame Not in Flight but in Effects"]

[Text] The exodus of the intelligensia and skilled labor from Egypt to work abroad represents one of the most important components of the economic problem in Egypt. The emigration of the best elements of the Egyptian labor force, as all economic phenomena, has its equilibrium and balance, which if violated, turn upside down. It also has positive indications for the Egyptian economy, primarily hard currency remittances from Egyptians abroad, which through unreliable channels amount to approximately \$5 billion, as well as peripheral effects, first among them being a reduced ability of the Egyptian labor force because it is deprived of its most experienced people, be they experts or trained, skilled labor. In fact, it is causing a severe shortage in some of the professions that dominate the Egyptian labor market. The positive indications and peripheral effects of the emigration of Egyptians to work abroad is what prompts Egyptian experts to try to reach a balance, or difficult equilibrium, between the needs of the Arab market and those of the Egyptian domestic labor market. Experts affirm that these peripheral effects are a result of poor planning for the labor force and poor coordination between entrants and graduates of universities, educational institutions and training centers on the one hand and the development program's long-range projected requirements for specific specializations and professions on the other.

According to the latest census 'estimate', there are approximately 45 million Egyptians, with the labor force representing about 12 million. In other words, each employed Egyptian supports four unemployed Egyptians--who have not entered the labor market--and accordingly, the Egyptian labor force is approximately 26 percent of the total population, while to meet the world average, the percentage would have to be 50 percent at least! This is a dangerous sign of basically poor planning for the labor force, in addition to the fact that the figure of 12 million workers is merely a quantitative measure that does not give a true picture of the level of quality of the labor force. If we consider that high quality (productive) labor is one-third of the Egyptian labor force, or 4 million Egyptians (the world average is two-thirds), the situation reverses itself, and instead of 66 percent of the Egyptian labor force being productive, we find that this percentage represents non-productive labor, and high-quality labor represents

only 34 percent, approximately. Thus, we discover that instead of the quantitative support ratio being one unemployed Egyptian supporting four other Egyptians, every productive Egyptian worker supports 12 other Egyptians.

We have seen that 26 percent of Egyptians enter the work force while labor experts believe that by planning education and training programs, this rate could be raised to around 56 percent. The mass of graduates from universities, which accept all public secondary school graduates, take low-quality jobs. The number of graduates from public secondary schools has increased tremendously over the past 30 years, and the numbers of those accepted for public secondary school and university education have grown beyond belief, even though education policy has concentrated on restricting acceptance for secondary education, as indicated by the fact that the number of candidates for secondary school exams the last 2 years has remained the same.

Even though some experts also attribute the lowered standard of the Egyptian labor force to the temporary and unplanned exodus of skilled labor to the oil countries, they disagree about the number of Egyptians working abroad, with estimates varying greatly between 1 million and 3.5 million. In 1968, the number of Egyptians working abroad was no more than 43,000. In 1973, it was 1.49 million, most of whom were temporary workers on loan or under limited-term contracts. However, the numbers increased over the past 10 years because of relaxed labor laws in Egypt and increased oil prices and the need for Egyptian labor for development projects in the oil countries, until the number of Egyptians abroad is now 1.5 million (according to experts in the Ministry of Manpower and Training), 2 million (according to experts in specialized national councils) or approximately 3 million according to the Foreign Ministry. This disparity in figures is due to the lack of precise statistics on the movement of Egyptian labor between 1973 and 1983. Over this 10-year period, experts estimate the number of Egyptians who worked abroad and then returned to Egypt at approximately 8 million. Remittances by Egyptians working abroad temporarily increased from \$268 million in 1973 to about \$1.76 billion in 1978. Some now put the figures at \$5 billion, with \$2.5 billion coming through banks, in addition to luxury items Egyptians bring with them from abroad, while experts estimate the amount of remittances through the currency black market at approximately \$3 billion dollars.

From another aspect, the flight of the best workers abroad has affected most professions, and schools can no longer meet their requirements for teachers, despite the establishment of more teachers' colleges and turning to the graduates of some of these colleges. The matter has even reached the universities, where there is one member of the faculty for every 250 students in liberal arts colleges, as compared to one faculty member for every 100 students in 1972, which has naturally led to a deterioration in the level of public education, then university education and consequently a decrease in the professional level of graduates.

Wage Increases

On the local labor market, despite lower standards in the fields of architecture and agriculture, for example, wages increased between 400 and 600 percent in various professions from 1974 to 1983. Another side effect of the exodus of the

labor force and the intelligensia, according to experts, is the change in consumption, with consumer imports alone jumping from 36 million pounds in 1970 to 1.8 billion in 1982 and 2.06 billion pounds in 1983, an increase of 2000 percent [as published], while the rate of increase in imports of luxury goods did not exceed 2000 percent. In both cases, (consumer and luxury goods), one cannot forget that the years of "open-door" consumption created this change, which is what prompted President Mubarak to correct the direction of the open-door policy toward liberalized production.

Is the flight of labor abroad a blessing for the Egyptian economy? Or a blow to the Egyptian labor market?

The answer is not to stop or limit the emigration of Egyptian labor abroad, according to experts, but to deal with the side effects of this economic phenomenon by replanning the Egyptian labor force to ultimately correct the flaw in its structure...but how?

The starting point should be to plan to increase the Egyptian work force from 12 million to at least 24 million; increase it by raising occupational standards; develop the curriculum and system of public, technical and university education and develop occupational training programs. We should not forget that the Egyptian labor market was experiencing unemployment in certain sectors, and there are still complaints about increasing employment in certain government agencies and parts of the private sector. Can the flight of labor abroad be turned into an unqualified blessing?

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CSO: 4504/332

ATHENS, CAIRO DISCUSS IMPROVING LABOR TIES

Cairo AL-AHRAM AL-IQTISADI in Arabic No 807, 2 Jul 84 p 6

/Text/ In the Greek capital of Athens, Egyptian-Greek discussions recently took place concerning 1) measures for transferring the savings of Egyptian /workers/ in Greece via the Central Bank of Greece, 2) issuing entry visas to Egyptian citizens for tourist and work visits to Greece, 3) granting Greek citizenship to Egyptians residing in Greece and who deserve Greek citizenship, and 4) implementing the bilateral agreement for labor and social insurance cooperation, and the bilateral agreement between the Greek Shipowners Federation and the Maritime Transport Union in Egypt.

The Greek side, represented by the Greek minister of social insurance, agreed to the final signing of the bilateral social insurance agreement as soon as the minister of state for foreign affairs arrives in Greece. It is worth noting that this agreement has already been initialed.

In addition, the Greek parliament ratified the maritime transport agreement and maritime workers protocol, as well as the bilateral labor agreement. This is considered an extremely important development in the interest of relations between the two countries.

Representing the Egyptian side in the discussions were the director of West European affairs in the Ministry of Foreign Affairs, Ambassador Nahhad 'Asqalani; the director of the passport, immigration and citizenship administration in the Ministry of Interior, Maj Gen Ahmad Fahmi; the director general of international labor relations in the Ministry of Manpower, Sulayman al-Hindawi; the Egyptian Consul General in Athens, Ambassador Plenipotentiary Ahmad 'Abd-al-Wahhab; our embassy's ambassador plenipotentiary, Husni al-'Ujayzi; and the Egyptian labor advisor in Athens, Muhammad Ahmad Khidr.

The Greek side was represented by the chairman of legal affairs in the Ministry of Foreign Affairs, Ambassador Leonidas (Faralias); the director of general investigations, Gen Anastasios Bourtzis; legal advisors in the foreign ministry, (Ritodorha), Lekopolos and Anastasios (Yatodorakopolos); the director of the utilization administration in the Ministry of Labor, Fotios Georgiadis; the director of economic affairs in the foreign ministry, Andonios Tzounas; the director of the legislation

and international agreements department in the Ministry of Social Insurance, Panagiotis (Alastasianos); and the attache to the legislative department of the foreign ministry, (Yandadoros) Bassas.

The discussions resulted in the following:

--An agreement for 3-month extensions on residence permits of Egyptian workers who have completed their contracts. The extensions will begin with the expiration date of the worker's contract.

--An agreement that the Egyptian side will deliver to the Greek central bank a copy of the implementation instructions issued by the Greek Ministry of Foreign Affairs concerning execution of the text of article five of the agreement concerning the transfer of the savings of Egyptian workers in Greece.

--An agreement to improve the treatment of the citizens of each country in the other country's airports.

--The Egyptian side showed great willingness to cooperate in preventing Egyptian fishermen from entering Greece unless they have previously obtained entry visas from the Greek consulates in Egypt. This will eliminate the trickery and exploitation of fishermen by brokers and middlemen who get work permits for Egyptian fishermen from Greek authorities, but who are unable to get entry visas from the Greek consulates in Cairo, who require permission from the union and the Ministry of Manpower before granting visas to Egyptian fishermen.

--One hundred and two Egyptians were granted Greek citizenship between 1980 and 1984.

--The Greek side requested that all Greeks working legally in Egypt be exempt from paying work permit fees.

--The Greek side stated that the Ministry of Labor, in fulfillment of the agreement, would periodically provide the Egyptian Ministry of Manpower with information concerning the Greek labor market.

--The Egyptian side stated that this matter is an extremely important one to Egypt, that it expects an acceptable solution to this vital problem to be found, and that all agreements and notes exchanged by the countries represent a single, indivisible unit.

--The method of granting resident and work permits and entry visas in each country was discussed with the aim of unifying the treatment accorded the citizens of each country while they are in the other country. The requirement of obtaining entry visas prior to entry will continue between the two countries with the exception of cases of urgent need and some facilitated cases for businessmen.

During his stay in Athens, the director general of international labor relations in the Ministry of Manpower, Sulayman al-Hindawi, discussed with federation director Mr Trendos disputed issues between the Greek Shipowners Federation and the Maritime Transport Union in Egypt. The issues included the payment of sailors' salaries in hard cash. In the discussions the Egyptian side insisted that the Ministry of Economy in Egypt requires that all Egyptian sailors be paid in dollars. The Egyptians also emphasized that transferring dollars to the sailors private account in Egypt does not contravene Egypt's monetary laws.

In turn, the Greek side stressed that all sailors on Greek ships are paid in local currency, including Greek sailors, whose salaries are paid in Greek drachmas.

The advisor for the Greek Shipowners Federation offered that salaries for sailors first be based on the Egyptian pound in accordance with the Egyptian pound wage scale. This is in accordance with all the agreements and the system that is currently used in Greece. The shipowner is obligated to pay the salary in dollars figured against the Egyptian pound according the exchange rate in Egypt on the date of transfer. Then the money is transferred to the Egyptian worker's personal account at his bank in Egypt.

The Egyptian side agreed to this proposal after submitting it to the Ministry of Economy. It is aimed at reassuring Egyptian sailors that they can transfer their savings through legal channels. It also eliminates the problem of shipping agents skimming the foreign currency incomes of sailors, then paying the Egyptian sailors in Egyptian pounds. This, of course, will be followed up with an amended Egyptian sailors wage scale in Egyptian pounds attached to the agreement.

It was agreed that the advisor to the Greek Shipowners Federation would visit Egypt to discuss this matter with the union.

The second issue discussed was the discrepancy between the Maritime Transport Workers Protocol ratified by both countries and the bilateral agreement between the Greek federation and the union in Egypt. In this regard, the Greek federation was convinced that there was no discrepancy between the stipulations of the protocol and the bilateral agreement, and it recommended that a procedural amendment be made to the introduction of the bilateral agreement so that it refers to the new Greek sailors law number 1376 for 1983 in regard to article 11, paragraph 2 of the maritime transport agreement between Egypt and Greece, and article 4 of the maritime workers protocol between Egypt and Greece. The amendment would stipulate that the Greek Shipowners Federation is authorized by the Greek Government to negotiate the conditions of employment for foreign sailors on Greek ships, and these conditions may differ from the conditions stipulated in the collective agreement between the Greek Shipowners Federation and the Federation of Greek Maritime Workers. The amendment also stipulates that the General Union of Maritime Transport Workers in Egypt has the right to dispute the conditions of employment of Egyptian sailors on foreign ships.

PROGRESS IN TECHNICAL EDUCATION CITED

Cairo AL-JUMHURIYAH in Arabic 2 Jul 84 p 7

/Excerpts/ In his speech to the joint session of the People's Assembly and Consultative Council on the occasion of the opening of the new parliamentary session, President Husni Mubarak made a plea for developing education, technical education in particular.

Dr Nabih Muhsin, the first undersecretary in the ministry of Education, said that 2 years ago the Ministry of Education began steps to develop technical education and expand the number of students accepted into this area in order to provide the skilled technical workers necessary for the social and economic development plan. Dr Mustafa Kamal Hilmi, deputy prime minister for public services and minister of state for education, issued a resolution for the formation of a central committee to work on raising the level of technical education in all three of its forms. The resolution also called for the formation of a committee in each jurisdiction and an educational board headed by the undersecretary or secretary general, which would prepare its report on this matter and submit it to the primary committee. The curricula of the 1st and 2nd years of the three kinds of technical education have been improved, according to Dr Muhsin. This year the first graduating class since the improvement in the curricula will emerge from the technical secondary schools. In light of this the new curricula will be expanded to include the 3rd year, and then the graduates will be evaluated in the work place.

822,000 Students

Dr Muhsin said that the ministry actually has sought to expand the number of students accepted into technical education programs. He confirms that this has occurred, citing the number of students entering this type of progress for 1952-1953 at about 45,500, whereas the number for 1983-1984 reached 832,000 students. He said that this year about 305,000 students will graduate from industrial education programs alone, including 65,000 specialists in 133 occupations.

For the coming school year, 342,350 students with 4th year secondary school degrees will be accepted into technical schools and programs for diplomas in teaching.

In the new budget, the ministry has appropriated 27,749,000 pounds for the three kinds of technical education.

1,800 New Classes

Dr Nabih Muhsin announced that for the coming school year 2,515 new high school classes are scheduled, including 1,840 in the technical high schools. This will include about 630 classes in industrial education alone, plus 260 classes in agriculture, and 730 in the primary manufacturing trades.

12608

CSO: 4504/342

PLANS FOR INDUSTRIAL TRAINING EXPLAINED

Cairo AL-AHRAM in Arabic 4 Jul 84 p 9

/Article by Ahmad al-'Attar: "Comprehensive Plan to Train Workers in Industry; \$78 million in Grants, Loans to Increase Quality, Quantity of Production"/

/Text/ Dr Muhammad al-Sayyid al-Gharuri, the minister of industry and mineral resources, announced that a comprehensive plan to train workers in the industry sector is now under way. Investments of 66 million pounds have been allocated for training, as well as \$78 million in grants, aid and foreign loans. The plan will raise the quality of worker training at the various production sites, prepare skilled workers in all fields, develop manufacturing methods, and use modern technologies to improve the quality and quantity of industrial production. The number of vocational and specialized training centers will be increased to 75, and the number of trained worker graduates will increase to 55,800.

Dr Muhammad al-Sayyid al-Gharuri says that investment in training for the industrial sector in the 5-year plan is 52,043,000 pounds, including 49,545,000 pounds for improving the quality of production and 2,497,000 pounds for the Industrial and Engineering Design Development Center. Recently, 14 million pounds were also allocated to improve the level of training in the various sectors. The training plan that is currently being implemented focuses on expanding the construction of vocational and specialist training centers, and on increasing the quality of training in order to increase the quality of the workers at various industrial sites. The plan also aims to prepare new generations of skilled technical workers in all fields, to fulfill the increasing need for them in the industrial sector. By 1985, with the addition of 26 centers, the number of centers will total 76. The annual number of trainees in these centers will increase from 33,900 to 55,700. This will include 49,700 in production skills training centers who will be specialized workers, and skilled and semi-skilled workers. In addition, there will be 2,000 trainees in specializations, small industries, engineering, and technology, who will graduate from the training centers at the Industrial and Engineering Design Development Center. There will also be 4,000 workers graduating from quick skill improvement courses at training centers at industrial

companies. The industry minister added that the industrial and mineral resources sector has obtained an American grant in the amount of \$40,650,000 to develop human resources and apply modern methods of industrial technology. This will involve the implementation of five projects, including a project for the improvement of production management, which is allocated \$8.5 million and is aimed at increasing the quality of industrial organizations by training managers of companies in both the public and private sectors. Between 40 and 60 companies are expected to benefit from this training. It also includes a vocational training project to improve production skills. This project is attached to the Office of Production Skills and Vocational Training and has been allocated \$17.5 million. The project is aimed at helping to raise production skills in Egyptian industry by improving the skills of workers in the various industrial occupations, and training the skilled workers that are required by industry. It is also aimed at helping the Office of Production Skills improve the quality and level of preparation and implementation of its training projects. The third project is for the application of industrial technology. This will be linked to the Industrial and Engineering Design Development Center and has been allocated \$10 million. The project is aimed at developing the industrial sector by increasing production and labor productivity. This will be done by improving industrial production skills and assisting industrial companies in the public, private, and mixed sectors in the use of the appropriate modern technology. This project will also qualify Egyptians to provide these services to others by giving training courses in the various fields of technology. The fourth project is to develop production operations, and this has been allocated \$3 million. It is aimed at providing technical services and studies in the development of industrial operations to increase productivity and solve the problems and difficulties that confront the industrial sector. It will also help to finance research on raising the manufacturing capabilities of factories in order to improve their performance and increase their productivity. The fifth project is an industrial management training project for middle managers to be conducted in conjunction with the American University of Cairo. It has been allocated \$1,650,000 and is aimed at training the middle management of certain firms and organizations in the industrial public sector in order to develop their productive capabilities. The industry minister added that the Office of Production Skills and Vocational Training has obtained loans in the amount of \$29 million from the World Bank and the African Development Fund, in addition to \$8 million in aid from Japan, Italy, Germany and the EEC.

12608

CSO: 4504/342

EFFECT OF SUQ AL-MANAKH CRISIS ON INVESTORS

Paris AL-MUSTAQBAL in Arabic No 380, 12 Jun 84 p 52

[Text] A report prepared by the Bahrain Chamber of Commerce and Industry concerning the Bahraini stock market crisis stated that the involvement of Bahraini investors in the "Suq al-Manakh" crisis in Kuwait amounted to between 25 and 35 million Bahraini dinars. This involvement is considered one of the main causes of the stock market crisis in Bahrain.

The report pointed out that this involvement came as a result of the large sums owed to Bahraini investors by Kuwaiti investors in the form of post-dated checks. These were huge sums relative to the financial resources of the Bahraini investors. This involvement caused the financial position of the Bahraini investors to be shaken and they withdrew from the local stock market.

The report added that the prices of stocks of corporations in Bahrain dropped by 40 to 50 percent from March through September of last year. This was followed by a second drop in December and January of 25 to 30 percent of the prices recorded in September 1983. The decline of Bahraini corporation stocks has continued from February to the present time to the extent that the market prices of these stocks have fallen below their real prices in spite of the good results achieved at the end of 1983.

The report pointed out that the commercial banks operating in Bahrain played an important role in the problems of the stock market because they provided the investors with loans that the investors used to speculate in the market. Although there is no conclusive evidence to indicate the amount of these loans, reports of the Bahrain Monetary Organization assert that credit granted in the form of personal loans by these banks totaled 131 million Bahraini dinars last year alone.

8591

CSO: 4404/533

NATION'S LARGEST EXPORT INDUSTRY, CHEMICALS, DESCRIBED

Jerusalem THE ISRAEL ECONOMIST in English No 40, Jun 84 p 19

[Article by Hanan Nobil]

[Text] Sixty-four years have passed since Moshe Novomeisky first realized the Dead Sea's potential for chemicals. When he began his work in 1920, Jericho was accessible, but unsuitable for the evaporation pools necessary for potash production. In 1934, King Abdullah of Transjordan granted Novomeisky water from the village of a-Safi to maintain workers and to fill evaporation pools, enabling the first plant in Sdom to be built.

Palestine Potash Limited became the foundation of Israel's huge chemical industry, which presently employs thousands and in 1983 exported products totalling \$777 million. The chemical industry accounts for 29% of Israel's industrial production and 27% of its industrial exports. Israel is involved in both organic and inorganic chemical production.

Inorganic chemicals are Israel's main chemical exports. The industry is primarily based upon the country's two major mineral resources: the Dead Sea and the Negev Desert phosphate deposits.

The Dead Sea is the main source for Israel's mineral production. Formed by a wrinkle in the Syria-Africa Rift, it is the lowest point on dry land in the world. Covering approximately 1,034 square kilometers, the Dead Sea is in fact a terminal lake with no other outlets other than evaporation. Evaporation over millions of years has enriched the brine of the Dead Sea with huge mineral deposits. The Dead Sea's salt content is estimated at 43 billion metric tons. The major product extracted from the Dead Sea are potash, magnesia and bromine.

The Negev Desert phosphate deposits represent Israel's second major mineral source, containing more than 320 million

tons of proven phosphate rock reserves. The Negev phosphate deposits are part of a phosphate belt which spreads from Morocco in the west, to Jordan in the east and to Turkey in the north.

Israel Chemicals Limited, which is a government-owned company, was established in 1967 to unify the inorganic chemical industry. ICL is responsible for the development and processing of local mineral deposits into raw material and chemical products. ICL is the parent company of a group of Israel's largest and most successful companies. ICL's companies, located mainly in the southern part of the country in the vicinity of the Dead Sea and the Negev Desert, extract minerals and convert them into chemical products, producing a wide range of fertilizers and chemical products.

Dead Sea Works is the largest ICL company, mainly producing potash, industrial salt and table salt. The company is now completing the second stage of its Makleff plant, which will increase production from its present 1,570,000 tons annually to 2.1 million tons. Industrial salt production equals 500,000 tons annually and table salt equals 50,000 annually. The company employs 1,090 workers. Sales in fiscal 1983/84 totalled \$105 million.

Dead Sea Bromine Group is composed of Dead Sea Bromine Co. Ltd. and Bromines Compound Ltd. located in Israel, and Broomchemie BV located in Holland. The companies manufacture the full range of bromine compounds as well as elemental bromine. Last year the company increased its exports 25%, to total \$72 million, and plans to reach \$200 million within the next five years. Exports in May were up 75% over May, 1983.

Israel is second only to the United States in bromine production. It accounts for about 15% of world production.

Negev Phosphates Ltd.'s integrated operations include phosphate rock mining and production plants at four locations in the Negev. The company employs 1,200 people and 1983/84 exports reached \$67 million, while sales totalled \$97 million. Rotem Fertilizers was established to expand and vertically integrate ICL's product range; it therefore coordinated its activities with Negev Phosphates. Rotem produces agricultural-grade phosphoric acid, sulphuric acid, and granulated fertilizers. Exports increased 45% in 1983/84 to total \$38 million. Rotem doubled its exports in May, 1984 over May, 1983.

Fertilizers and Chemicals Co. produces over 60 products for agricultural applications and for the food and chemical industry. The company supplies Israel's need for fertilizers and mineral animal feed additives. The continuing slump in the world market has caused a decline in the company's exports from \$20 million last year to \$19 million presently.

Dead Sea Periclass Ltd. produces the most pure magnesium oxide available. This purity is achieved with the unique Aman process, and is facilitated by the unusually rich brines of the Dead Sea. Exports rose to \$19 million in 1983/84, after two years of declining sales.

In addition to the above companies, ICL is parent to a group of smaller firms. In all, ICL exports for 1983/84 total \$329 million, up 3% over 1982/83. In fiscal 1984/5, ICL expects sales to increase by 13%. The company has already reported that May 1984 was a record month; exports equalled \$38.7 million, a 54% increase over May 1983.

Haifa Chemical, *not* part of ICL, was founded by the Haifa Oil Refineries and the Israel mining industry. The company converts potash and phosphates into products containing high added value. In 1981, Trans-Pacific Resources, a subsidiary of Estrech General Chemicals of Chicago, purchased a controlling interest in the company. The company is the world's major supplier of potassium nitrate, a commonly used fertilizer. Exports totalled \$63 million.

The organic chemical industry in

Israel has developed largely as a result of the expansion of the oil refining activity in the country. Presently, the two oil refineries in Haifa and Ashdod have the capacity to produce 9-10 million tons of crude oil annually. In addition to its basic crude refining units, the Haifa Chemical Co. also supplies feedstock to the petrochemical industry. Israel's main petrochemical production includes ethylene, polyethylene, carbon-black, PWC, menthanol, ammonia, and aromatics.

Aside from the oil refineries, the other dominant companies in the field are Gadot Chemicals, Frutarom and Israel Petrochemical Enterprises. Gadot produces aromatics, benzene, toluene, xylene and aliphatic solvents, and last year exported goods worth \$47 million. Frutarom, which produces PVC, exported \$26 million in 1983. Israel Petrochemical Enterprises, which produces polyethylene and carbon-black, exported \$14 million in 1983; in the first third of 1984, its exports have already exceeded 50% of last year's total.

The petrochemical industry as a whole is on an upward trend. In 1983, petrochemical exports, including refined oil exports, surpassed the \$20 million mark. In 1984, we can expect to see a 15% growth rate in the sector.

The pesticide industry in Israel has grown in close cooperation with the country's agriculture. The leading firms producing crop protection chemicals—insecticides, herbicides, fungicides and acaricides belong to Koor Chemicals Ltd. Eighty percent of pesticide exports is marketed by Koor companies. The largest pesticide producer is Makhteshim Chemical Works Ltd, which employs over a thousand workers. In 1983, the company was Israel's 10th largest exporter, with exports totalling \$60 million.

Agan Chemicals Manufacturers Ltd. is the second largest producer of pesticides. Koor owns 50% of the company with private shareholders holding the rest. The company's exports, which were down 30% from previous years, totalled \$32 million in 1983.

The chemical industry has expanded considerably since the days of Moshe Novomeisky. Engaged in both organic and inorganic chemical production, Israel has earned a competitive position in this innovative field. ■

OVERVIEW OF PUBLIC SERVICE SPENDING PRESENTED

Jerusalem THE ISRAEL ECONOMIST in English No 40, Jun 84 pp 31-32

[Article by Prof Zvi Zussman, former deputy governor of the Bank of Israel:
"Public Service Spending"]

[Text]

Amid the avalanche of criticism of the government's economic policy, a positive aspect has been neglected: spending on public civilian services has been effectively restrained. For the first time, per capita public consumption has dropped by 1.5% a year for four consecutive years. While the policy was begun by Yigal Hurvitz, with his "ein li" (I haven't got) slogan, it was continued, with less fanfare but equal energy, by his successor at the Finance Ministry, Yoram Aridor.

The restraint of public spending in 1980-83 contrasts sharply with the failure of previous finance ministers to accomplish just that, during the difficult period that followed the 1973 Yom Kippur War. Only in 1980, after six years of crisis, was there a turnaround in the relative rate of growth of public services. For the past four years, total spending in this sector, which includes non-governmental bodies which receive government financial aid, was effectively frozen.

increase in defense spending to the direct and indirect local defense expenditures, which rose 28% in real terms during the past two years.

Our focus on the domestic component of defense spending is justified by the immediate effect it has on the economy, and is based on the assumption that defense imports constitute a negligible burden in the short run, as they are largely financed by US government aid and long-term grants.

The four years in question saw an increase of about \$1.5 billion in local defense spending, above the level which prevailed in 1979. This is equal to more than a third (36%, to be exact) of the entire increase in the production of the business sector during this period! The domestic defense spending increase equalled 35% of all the public services granted by the government and by public bodies in 1983.

Of course, the negative effects of the

TABLE 1 : PUBLIC SERVICES AND PRIVATE CONSUMPTION PER CAPITA
1960-1983 (% CHANGE IN REAL TERMS)

	1960-72	1973-79	1980-83
Public civilian services	3.2	1.8	-1.5
Private consumption*	4.5	3.5	4.0
Business sector production	6.6	-0.9	0.2

* Not including public services provided by non-government, non-profit organizations.

Table I shows that in the four years 1980-83, the nearly unanimous recommendation of economists in and out of government was realized: public service spending dropped significantly in per capita terms. But though the politicians took the economists' advice, the expected results did not materialize. Instead, inflation rose, the balance of payments deteriorated and the economy failed to grow.

How can this be explained? A complete answer would necessarily be quite involved, but one can state flatly that the savings achieved following the restraint in public service spending were squandered in an unusual increase in defense spending, most of it coming after the outbreak of the war in Lebanon in 1982. The controversy over the cost of the war will certainly continue for a long time, but without entering into any detailed calculations one can relate the bulk of the increase in domestic defense spending could have been avoided had domestic consumption been restrained by means of heavier taxation. In fact, during the period in question the collection of taxes increased substantially – about 17% in real terms (despite the big decline in tax receipts beginning at the end of 1983). This increase is no less than the increase in the GNP during the same period.

But this achievement in the collection of taxes was wasted too – by raising subsidies and government price support by about 20% in real terms. In the last analysis, total absorption from the public (tax revenues minus subsidies and government spending deficits) rose by only 13% – less than the increase in national income. The excess of local public spending over tax receipts (in other words, the local demand surplus) increased by nearly 30%*.

Though the great increase in the local demand surplus is largely to blame for the aggravation of the problems of the economy in the years in question, two other factors acted to increase the negative effects. On the one hand, the increasing tendency to finance the government deficit by simply printing money contributed to inflation, particularly in the last year, when practically the whole of the deficit was financed in this fashion. Non-liquid assets came to play a smaller and smaller role in the savings of the resources on which the government had depended in order to finance its budget deficit.

*There are other definitions of the excess demand of the public sector. This one actually points to a slightly lower increase than that which would have resulted if the definitions of the Bank of Israel Report were employed instead.

The government has increased the printing of liquid assets (money and near-money) at such a rate that these constituted 55% of all the liquid assets in the hands of the public in 1983.

On the other hand, the private sector's rate of saving dropped. Its average level during 1980-83 was substantially lower than that of 1973-79, and came to only 28.5%. At the end of the period, in 1983, it came to only 23.6% of all income.

The influence of the government and private sectors combined over time to reduce net national saving. But it was only in the last period – 1980-83 – that the average level was negative. In 1983 the negative savings were equal in absolute size to 7% of the economy's total income. The rapid growth in private consumption in 1980-83, during a time of stagnation in per capita production, was above all the result of a decline in private saving out of disposable income; it was only partly the effect of lowered net tax receipts, on the one hand, and excessively high disposable income, on the other.

The reasons for the recent reduction in private savings have not yet been thoroughly investigated, though it is possible that demographic factors were at work, such as population maturation, and expectations of tax increases on necessity goods. Undoubtedly, important factors in stimulating consumption were the public's accumulation of inexpensive financial assets and their skepticism concerning the government's future policy on privately-held financial assets.

Of course, the government deficit continued to exert a negative influence on the balance of payments by pouring cash into the hands of the public, which then spent it on imports. The exhaustion of Israel's reserves forced the government to implement a massive devaluation at the beginning of October 1983, which was the mechanism by which the budget deficit was translated into yet higher inflation. The fact that the government has had to finance its deficit by printing liquid assets, particularly PATAM deposits, instead of by inducing the public to invest in long-term, non-liquid savings accounts, explains much of the acceleration inflation over the past few years in general, and in 1983 in particular.

We can't copy the US

Why can't the negative effects of the government deficit be neutralized by strict monetary policy, the way it is being done in the US today? In my opinion this is impossible for two reasons: first, the US deficit is still a much smaller percentage of the national product (it is expected to reach 5% of the GNP in 1985) than is the case in Israel (where it was 17% of the GNP in 1983). Further, by financing its deficit by issuing bonds,

the US Federal Reserve must lower their price – that is, it must raise their rate of interest. The US public still believes in the capacity of its government to bear the burden of debt-service which such a policy entails, while such belief can no longer be taken for granted in Israel.

Behind the dry statistics on a freeze in public services and a simultaneous increase in private consumption, one can discern a rapidly widening gap between collective consumption of education, health, welfare and 'environmental quality' on the one hand, and food, clothing, furniture, entertainment and foreign travel, on the other. Is this trend desirable in the long run? How are we to prevent this gap from growing indefinitely? In my view, the answer is not to be found in raising taxes on income or on

TABLE II: GOVERNMENT PRINTING OF NEW MONEY, RELATIVE TO THE QUANTITY OF MONEY IN THE HANDS OF THE PUBLIC 1979-1983

Year	'Printing' of Liquid Financial Assets by the Government	Total Liquid Financial Assets in the Hands of the Public at the Start of the Year	Government 'printing' as a Percentage of Liquid Assets of the Public
(1)	(2)	(3)	(2)/(3) = (4)
	IS billions		(%)
1979	1.6	12.9	12
1980	6.1	21.7	28
1981	14.6	56.6	26
1982	32.2	118.4	27
1983	149.9	273.8	55

private consumption, but rather in three other ways: first, by making a serious effort to streamline the civil service, so that cuts in its budget will not lead to decline in services to the citizen; second, through returning many functions from the public to the private sphere, including secondary education fees, much of public health care and insurance, and so forth; finally, through reducing subsidies and transfers which merely increase consumption, while using the money saved to finance critical public services. All these steps must of course be taken in a selective

way, so as to avoid hurting the weakest groups.

I may be open to the charge that I have simplified matters to an excessive degree by treating 1980-83 as an homogeneous period, as if important sub-periods did not exist, with characteristics of their own. I have done so in order to treat a particular phenomenon which has yet to be discussed adequately: the relative freeze in the growth of public services in Israel. ■

BIOTECHNOLOGICAL ADVANCES IN AGRICULTURAL RESEARCH

Jerusalem THE ISRAEL ECONOMIST in English No 40, Jun 84 pp 32-34

[Article by Jonathan Weiner]

[Text]

Kibbutz Rosh Hanikra is quiet and rather sleepy. Children ride their bicycles past ramshackle garages and groves of fruit trees, and the bucolic backdrop is complete — except for a neat, rectangular building washed in white and looking as if it had landed on the kibbutz, instead of having been built there.

Inside, kibbutz members trained in science use tissue culturing techniques to replicate valuable plants into thousands of genetically identical seedlings. The business grossed \$1 million last year, and looks as if it will pave the way for a new kibbutz industry: biotechnology.

The propagation lab

Rosh Hanikra's clients are plant breeders who have developed a new variety — a pinker geranium, or a sweeter pineapple. A breeder may work for years, cross-fertilizing plants and selecting the best of the offspring, before he finally gets a single example of an improved plant. This he entrusts to a propagation lab like Rosh Hanikra's, whose technicians produce large numbers of copies of the new plant. To do this, kibbutz technicians "clone" plants by clipping a bit of tissue off the tip of the plant's stem and inducing it to grow into an entire new plant. If placed in the right chemical solution, this tissue can be broken into parts, each of which will grow into a whole plant. Taking advantage of this, Rosh Hanikra's scientists can multiply a single plant into tens of thousands of identical copies within a year. From these, the plant breeder can build up a permanent stock of the new plant variety, from which plant nurseries and florists can be supplied.

Plant growers from Germany, Holland, and Scandinavia represent about 60% of Rosh Hanikra's clientele; the remainder come from all over the world, accord-

ing to research director Avraham Duvdevani. Seventy percent of the lab's gross income (\$1 million in 1983, up from \$700,000 in 1982) came from exports; the lab also cultures strawberries and other plants whose products and fruit are eventually exported, thus, its ultimate contribution to exports is even higher.

Growing plants in a laboratory involves technical challenges and economic risks. Each new variety requires its own particular culture conditions — a combination of the right plant foods, growth-regulating chemicals, vitamins and temperature — before it can be "propagated" — multiplied in the laboratory.

"I can spend a whole year looking for the right culture conditions," Duvdevani explains, "and if I don't find them, I've lost my investment."

About 20 kibbutzniks work in the \$2 million lab, which business manager Yosef Shafran claims is "one of the most advanced in the world". Another 20 work in the associated plant nurseries. The lab technicians work inside a glassed-in, hermetically-sealed area in which humidity, light and temperature are carefully controlled to make the plants' growth processes more predictable.

Viruses that can infect plants present another problem, especially dangerous for a propagation lab because a virus in one of the original plants provided by the plant breeder can be passed on to all of the "copies"; the result might be a devastating viral plague that can wipe out years of work in a few weeks. To avoid this, Rosh Hanikra uses a technique called "meristem propagation" (see box) to get virus-free plants.

Getting started

How does a kibbutz get involved in such a technical, laboratory-based busi-

ness? For Rosh Hanikra, the process began in the early 70s with the search for a new industry that would provide interesting work for the kibbutz's increasingly educated membership. Since the kibbutz did not want to hire outside (non-kibbutz) workers, the industry had to be one that could use a small, relatively expensive labor force. Finally, it had to provide a good profit.

Rosh Hanikra hit on plant tissue culture as an industry that met these criteria and could build on the kibbutz's agricultural and horticultural know-how. The lab got its start in 1973 with a process for propagating carnations developed by Hannah Liliën-Kipnis of the government-funded Agricultural Research Organization (Volcani Center) in Beth Dagan. Today, the kibbutz propagates flowers (carnations and lilies), house plants (ferns, begonia, geraniums), fruit plants (bananas and pineapples) and fruit trees (citrus bud-wood).

Is the lab making money? "We're not losing," says Yosef Shafran, while acknowledging that Rahan Meristem (as the business is known) is not the kibbutz's most successful enterprise. But the lab provides other, non-financial payoffs: it has helped keep younger, educated members on the kibbutz, and has familiarized kibbutz workers with laboratory techniques, creating a workforce that could staff new biotechnological ventures.

The kibbutz is currently debating what form such ventures will take. Possibilities include producing chemicals from cultured plant cells, working more closely with plant breeders by using advanced culture and genetic manipulation techniques, and running a pilot plant of some kind.

Following Rosh Hanikra's lead, other kibbutzim have become involved in plant tissue culture. Near Nahariya, Kibbutz Beth HaEmek is using its plant tissue culture lab as the basis for an ambitious move into biotechnology. Nahariya, Kibbutz Beth HaEmek is using its plant tissue culture lab as the basis for an ambitious move into biotechnology.

Beth HaEmek's story

Having begun operations seven years ago with the same carnation propagation technique that gave Rosh Hanikra its start, Beth HaEmek now propagates ferns, as well as other houseplants, flowers, and vegetables. Building on its laboratory experience, the kibbutz recently set up a bio-medical products division to make "standard sera", the blood serum bases which are used in clinical tests. The plant and bio-medical divisions together employ 45 kibbutz

members, and generated \$1.2 million in gross income in 1983; of this, 65% came from exports, according to business manager Michael Landes.

In addition to broadening its operation to include bio-medical products, Beth HaEmek is moving into biotechnology through joint ventures, and — most unusually — through its own R&D. The kibbutz is planning a joint project with Lidex, an Israeli biochemical separations firm, and has bought minority interests both in Lidex and in Magar Sherutei Haspaka, an Israeli scientific supply firm. On the R&D front, the kibbutz has applied for an Israeli patent on an automated tissue culture system invented by Beth HaEmek's scientific director, Robert Levin. According to Levin, a Brooklyn-born Ph.D., the system will greatly increase the number of plants a technician can turn out.

For the kibbutz, with its limited supply of relatively expensive labor, the automated system could mean an economic breakthrough to higher profits. (Biological Industries, as Beth HaEmek's lab is known, first broke even in 1982 after several years in the red.) But the invention's significance may go beyond this. Biologists may soon be able to alter the genes of plants to increase their yields or make them more resistant to disease. Automated tissue culture could be used to propagate these genetically-engineered plants, as well as certain

The Biotechnology Industry

Approximately 30% of Israel's 10,000 scientists engaged in R&D have specialized in life sciences related to biotechnology. Listed below are the leading Israeli firms engaged in this field and their annual rate of investment in R&D, in thousands of dollars:

Biotechnology General	2,000
Inter-Yeda	2,000
Inter-Pharm	700
Bio-Yeda (T.H.F.)	1,000
Bio-Yeda	800
IGSP	500
Haifa Genetics	200
Yissum Biotechnology	750
Assaf Pharmaceuticals	100
Pharm-Hadas	150
Organics	200
Biologic Industries, Beth HaEmek, and Koor Foods	1,000
Total	8,000

hybrid vegetables and woody plants that are difficult or expensive to multiply by seed.

A joint venture between Beth HaEmek and International Genetic Sciences Part-

nership — a Jerusalem-based genetic engineering firm — is now being negotiated, to develop and propagate genetically-engineered, disease-resistant plants. If it does get into this, Beth HaEmek would face competition from US biotechnology firms that are trying to propagate genetically-engineered plants using "synthetic seeds" made from cultured plant tissue. Though the synthetic seed approach would have wider applicability than automated tissue cultures, if it could be made to work (because the seeds could be sown in the ground, rather than grown in lab and greenhouse), Levin feels that Beth HaEmek's system may prove to have advantages of its own — such as greater freedom from mutations, which are a frequent problem in new-fangled propagation methods.

Beth HaEmek's tissue culture patent application is a sign of the kibbutz's recognition that it must do research and innovate if it wants to compete in a science-based field like biotechnology. R&D requires not only lab facilities, but trained personnel, and through recruiting and retraining of members with degrees in related fields, Beth HaEmek has mobilized five Ph.D.-level scientists (including a former dentist) — a signal achievement for a 250-member kibbutz.

Even so, there are limits to the R&D a single kibbutz can handle, as Levin is the first to concede. "We're not going to break new ground here. What we can do is deal with innovative, university-initiated technology that has a long germination time, in cooperation with university scientists." The kibbutz can give such projects "breathing space", Levin feels, because its other operations — avocado plantations, cotton fields, a chicken hatchery — are highly profitable.

In the US, biotechnology companies employ dozens of Ph.D. holders and pour millions of dollars into research projects that may take years to bear fruit. Recognizing that a single kibbutz cannot muster the human resources and infrastructure needed to mount such efforts, a number of kibbutzim are now moving to create their own joint biotechnology R&D center. The center is the newest project of Milouot Ltd., an industrial company in which 28 Western Galilee kibbutzim are partners. The lab's first task, under a contract signed in March, will be to further develop and commercialize Beth HaEmek's automated

tissue culture system. Though Beth HaEmek is currently the only kibbutz involved, other projects involving other kibbutzim are in the works, according to Milouot's Shlomo Harari. Within a few years, the R&D center (as yet unnamed) will employ about 15 Ph.D.-level scientists. (These will include both kibbutz members and non-members; the latter will "work on the same terms as they would at any private company," Harari says). The center's capitalization has not been disclosed, but will apparently be in the millions of dollars; Milouot, which grossed \$200 million last year, is talking with outside investors — mostly from abroad — as well as with the Chief Scientist's Office in the Ministry of Industry and Trade.

Venture capital?

The driving forces behind the development of biotech in the US have been the scientist-entrepreneurs who start biotech companies, venture capitalists who bankroll R&D and the brokers who, through stock offerings, promote biotech firms into the financial big-time. Still, the entry of Israel's socialist communes into this hotbed of capitalism is not so strange as it seems. Biotech requires, above all, venture capital and time, and this the kibbutz movement can provide. In return, biotech industries can create jobs that fit the character of the new kibbutz workforce: relatively small in numbers, educated, and well-compensated.

Developing new biotech businesses will probably require forming joint ventures with conventional, profit-seeking companies, but the kibbutzim have few qualms about doing this; Rosh Hanikra has formed such ventures with seed firms, and — as noted above — Beth HaEmek may do so with IGSP. But the public stock offering, a device dear to conventional biotech companies, is where kibbutzim draw the line; all kibbutz members own an equal share of each kibbutz enterprise, and kibbutzim are ideologically opposed to selling shares to non-resident outsiders.

Beth HaEmek's Robert Levin was approached by a New York broker, with several biotech public offerings to his credit, who wanted to buy stock in the kibbutz; "I told him he could have one share if he moved here," recalls Levin, but the broker chose to return to Wall Street. ■

Who Needs Seeds?

Once a laboratory curiosity, propagating plants by tissue culture is now a multi-million dollar business. As Rosh Hanikra's Avraham Duvdevani explains it, *meristem propagation* begins when a technician clips off a tiny bit of plant tissue about 0.1 mm long; taken from the fast-growing meristem region near the upper tip of the stem, this piece of tissue contains cells so new that viruses generally have not had time to infect them. The excised tissue is placed in a test tube with some plant food and allowed to grow a bit; then it is dropped in a flask containing liquid plant nutrients. Rolling around in a constantly-rotated flask, the plant tissue literally doesn't know which way is up, and sprouts bud-like structures in all directions (rather than just upwards, as it would if at rest). These clumps of "buds" are broken apart, allowed to grow some more, and broken apart again; the end result is a flask containing about 50 black dots floating in liquid — each a potential plant. These are "planted" on agar — a kind of jelly, to which plant nutrients and hormones are added — and grown in small plastic boxes, which are soon filled with green shoots and leaves.

The new plantlets must be "hardened" — gradually acclimatized to the lower humidities and temperatures outside their native box — before taking up their places in the greenhouse. If all has gone well, the final result is a large stock of genetically identical, virus-free examples of the new plant variety. The whole process — from the time Duvdevani gets the new plant till the full stock of plants is built up — can take two years.

But why go to all this trouble when plants make their own seeds? The answer is that seeds, like other offspring, are the result of sex; to make them, plants must be fertilized by pollen from another plant. Plants grown from seeds resemble both parent plants — rather than just the prototype plant the breeder has worked so long to achieve. But with tissue culture, the breeder can get exact copies of his prototype plant. Also, reproducing some plants by seed is too slow to be profitable; tissue culture, which uses costly materials but produces a large volume of plants rapidly, can be the most economical way of reproducing such plants. ■

SEARCH FOR ALTERNATIVE ENERGY SOURCES DESCRIBED

Tel Aviv NEWSVIEW in English No 26, 3 Jul 84 p 10

[Article by Victor Perry: "Alternative Energy Sources"]

[Text]

The rapidly escalating Persian Gulf War and the possibility of an international oil crisis does not worry Israeli officials. Eli Arom, director of the information center of the Israel Petroleum Institute, points out that summer is the season of lowest demand for oil and there are plenty of other sources today outside the gulf. Moreover, world oil reserves are at glut level.

Another fact, which he might well have added, is the renewed importance — especially in Israel — of coal.

This month the Electric Corporation begins construction of its second coal-burning generating facility. When the plant, located south of Ashkelon, is fully operational in 1989, 90 percent of Israel's electricity will be generated by coal. The first coal-burning plant, near Hadera, which began operations in 1981, already accounts for 40 percent of Israel's electric generating capacity. Three other plants, in Ashdod, Tel Aviv and Haifa, will account for only 10 percent of the country's total generating capacity.

The saving is appreciable. It costs the Electric Corporation 2.57 cents to generate one kilowatt hour (kwh) of electricity from coal compared to 4.11 cents from oil. As a result, the overall cost of generating electricity has dropped by 28 percent over the last

two years. According to Electric Corporation sources, part of this saving has been passed on to the consumer in reduced rates and part has enabled the government to lower subsidies. Together with the recent drop in oil prices, the overall savings have already reduced Israel's fuel bill from a high of \$2.1 billion or 13.8 percent of imports in 1980 to an estimated \$1.4 billion or 9.3 percent of imports last year.

The switch to coal not only makes economic sense but has important political and strategic connotations. The main suppliers are South Africa, Australia, the United States and Great Britain, all of whom are more reliable in the long run than the present oil suppliers: Mexico, Egypt and the European spot market. Diversification of Israel's energy sources has been crucial ever since the return of the Sinai oil fields forced Israel to import 98 percent of its energy requirements from outside sources. Before the Alma fields in the Gulf of Suez were returned to Egypt in November 1979, they were providing some 20 percent of Israel's oil needs. With further drilling in the vicinity Israel might have been able to reach self-sufficiency.

The shortage of capital for oil exploration and Arab boycott pressures on potential investors have prevented an all-out push into the search for new oil deposits under Israel's soil. Yet, conversely, this situation has given the country a healthy push in the development of other energy sources, especially solar energy. Already Israel leads the

world in the use of solar energy for home water heating, and some 70 percent of Israel's households use this method.

Other methods developed in Israel such as the solar pools in the Dead Sea, which use temperature differentials in saline water to generate electricity, bring promise of greater use of solar energy sources in the future. One Israeli company, the Luz Corporation in Jerusalem, recently won a \$60 million contract to build a 13.8 megawatt electric generating facility for the Southern California Edison Company.

The Thermolake, another unique Israeli development, is an artificial solar pond created by covering a pool of water with thermal diode trays. While the system will not generate enough heat to produce electricity it will heat water to temperatures of 60 to 90 degrees centigrade. Despite these new developments and the growing use of solar energy in Israel, the sun still does not provide more than two percent of Israel's present energy needs.

Another alternative source in which Israel is investing considerable effort is the extraction of oil from shale rock. Although the Americans recently abandoned a large shale project in Colorado because of its doubtful economic feasibility, Israel is going ahead in developing its very considerable resources which comprise an estimated 10 billion tons near Arad. These reserves, it is estimated, can produce 500 million tons of oil, enough to supply Israel's needs for 60 years.

Meanwhile the ambitious Mediterranean-Dead Sea Canal project is in the doldrums. Geological surveys are continuing but it is doubtful if work will proceed in the foreseeable future because of the immense investment required.

Equally, atomic energy is a long way off because of the tremendous investments required and the refusal of the U.S. to provide facilities and know-how

as long as Israel does not sign the atomic non-proliferation treaty.

As demonstrated at a recent energy congress in Tel Aviv, the country is not neglecting the subject of conservation which has taken some significant strides, since the oil crisis of 1973. This has included such projects as generating steam power from the burning of agricultural waste, secondary use of exhausted heat in industry and utilization of power-saving devices in factories and farms. According to the Ministry of Energy, some 300 companies invested \$50 million in energy-saving devices and programs between 1980 and 1984.

Total savings amounted to the equivalent of 120,000 tons of fuel oil — a drop in the bucket when compared with some seven million tons of oil imported annually, but not to be sneered at in a country that still has to import 98 percent of its energy requirements.

BRIEFS

COAL FROM COLOMBIA--Israel will purchase 5 million tons of coal from Colombia, as well as a large quantity of heavy crude oil in the context of a reciprocal deal involving one of Israel's oil companies, the national coal company and a large brokerage house in the United States. The deal, which will soon be finalized, includes a supply of more than 5 million tons of coal from Colombia over the next 5 years, i.e., Colombia will be supplying approximately one third of Israel's coal requirements in the next few years. The value of the coal deal is approximately \$200 million. Israel will also receive, via one of the oil companies, more than one million tons of heavy crude oil within 15 months of closing the deal. The heavy crude oil will be sold on the international market. The value of this deal is approximately \$150 million. The total value of the deal is approximately \$350 million and Colombia will receive Israeli products in exchange. The parties were brought together by a large American brokerage house that specializes in international trade. [Text] [Tel Aviv MA'ARIV in Hebrew 13 Jun 84 p 5] 9811

EXPORTS TO TERRITORIES DOWN--The Israeli export balance to the territories (Judea, Samaria and the Gaza Strip) fell sharply over the last 3 years--according to a Bank of Israel report from 1983. Most of Israel's trade with the territories is conducted in Israeli currency. The Israeli export balance last year was \$146 million, as compared with \$184 million in 1980. In terms of quantity, the 1983 balance was one quarter that of 1979 and 1980, this at a time when the scope of trade was growing. Two characteristic factors distinguish Israel's trade with the territories from trade with other partners: the importance of partially finished products being traded, reflecting a situation where production processes are run partly in Israel and partly in the territories; and the fact that most of the imports to the territories from other countries pass through Israel and therefore count as Israeli exports. As for services, what stands out is the importance of labor services imported from the territories. In 1983, the number of workers from the territories increased by 6,600 (an increase of 3,300 over the previous year). This increase--which followed a stable period of several years--resulted from decreased demand for workers in neighboring Arab countries. These developments caused an increased flow of workers from the territories to Israel. In 1983, the number of Arab workers in Israel reached 86,000. The relative salaries of workers from the territories went down; while the average salary in the Israeli business sector rose by 4 percent, the real salary of workers from the territories did not change. [Text] [Tel Aviv HA'ARETZ in Hebrew 13 Jun 84 p 14] 9811

NEW AIRCRAFT COMPUTER--Tel Aviv--A new airborne computer, for installation in the most advanced military aircraft, has been perfected and is now available from Elisra Ltd., of this city. Elisra was formerly known as A.E.L. Israel Ltd. The new system, among the most advanced in the world, is based on highly novel 16 bit microprocessors, with all that implies in terms of speed and capacity. Two versions of this system have been developed: one to be used on the ground, primarily for the development of appropriate software and peripheral equipment, while the other meets the strictest standards for operation in an airborne environment. Elisra hopes its new development will be adopted widely, for the control of different types of sophisticated airborne equipment, including advanced weapon delivery systems. It meets all relevant U.S. military specifications, and uses a computer language designed specifically for its high speed operation. [Text] [Haifa INNOVATION in English No 104, Jul 84 p 7]

CSO: 4400/295

PUBLIC, PRIVATE SECTOR INDUSTRIAL DEVELOPMENT REVIEWED

London AL-HAWADITH in Arabic No 1436, 11 May 84 p 52

[Text] Official statistics confirm that the income of the Jordanian industrial sector has risen substantially since 1973 from 28.6 million dinars in that year to 216.2 million dinars in 1982, the last year for which official statistics are available. Contributing to the growth of this sector was the increased production of cost of the principal industries due to an increase in domestic demand and improved export opportunities as well as the implementation of new industrial projects.

However, the tightness of the domestic market, which is the chief market at which Jordanian industries are aimed, imposed a limited volume on Jordanian industrial investments. This is reflected in the fact that small industries account for roughly 90 percent of all industrial installations. In most cases, these small industries employ only about five workers.

In addition to the financial support that the development plans have allocated to the industrial sector, the Jordanian government has created a number of incentives to stimulate national industry. The first of these was the Industrial Development Bank established in 1968.

From its founding up to the end of 1981, the bank provided 656 loans totaling 42.2 million dinars.

In addition, the Jordanian Government has pursued a policy of offering financial incentives to national industry with the aim of encouraging it to increase its investments substantially. In 1972, the government sponsored an investment bill providing for a variety of incentives for industrial organizations.

In the context of an emphasis on the importance of industrialization in Jordan, the Jordanian authorities endeavored to concentrate on building the infrastructure required by the industrial sector. For this purpose it established an organization called the Jordanian Industrial Cities Organization.

In order to attract industrial investments, the law establishing the Jordanian Industrial Cities Organization exempted projects that moved to

industrial cities from income tax and social services tax for a period of 2 years from the date of the start of production in the industrial city. The law also exempted industrial projects established in the industrial cities from building and land taxes.

Despite the official incentives, however, the Jordanian industrial structure still relies primarily on public sector financing. Although the Jordanian Government is trying with every possible means to expand private sector participation in reviving the country's industrial base, Jordanian industry is unable to choose between the private and public sectors. Up until the end of 1980, the Jordanian industrial sector consisted of groups of industrial organizations with various forms of ownership, capital, and operation.

On the one hand, the government supports the acquisition of industrial organizations by the private sector. On the other, it participates in financing some of these organizations in order to create an atmosphere of trust and confidence. Based on this, the government has participated in approximately 20 industrial organizations with a total capital of 82.41 million dinars. The government's participation in these organizations totaled 21.31 million dinars or 21 percent. In other words, the public sector finances approximately one quarter of the capital of Jordan's industrial sector.

8591

CSO: 4404/533

KUWAIT

PROMINENT PEOPLE INTERVIEWED ON WAR PROSPECTS

London AL-MAJALLAH in Arabic No 230, 7-13 Jul 84 p 8-12

[Article: "Kuwait: 'Iran Is In Front Of It, Oil Is Behind It'"]

[Text] Suddenly Kuwait, which has less than 1.5 million inhabitants, has become one of the confrontation states in the Iran-Iraq War. Its tankers are being bombed in the warm waters of the Gulf and Iranian threats are reaching it over the radio and via the news agencies. Warning sirens sound out through its atmosphere from time to time in order to test the responsiveness and discipline of the people. In addition, shelters are being built in a number of locations, especially in the capital, in case of emergency. In addition, the media have announced that a number of Iranians have been seized for plotting new sabotage operations against the country's economic and governmental infrastructure. A new phenomenon is spreading in Kuwait: false reports about the presence of bombs in this place or that. Such reports excite fear and worry in people's minds.

Numerous are the questions being posed by observers in this regard. What is the meaning of all this? However, the most important question still has no answer. Will war be imposed on Kuwait, which has always eagerly sought peace? Will this neutral country, which has played the role of mediator all through its modern history, take part in the Gulf War, which is now more than 46 months old? Will Kuwait become a confrontation state?

Observers think that the answer to this important question depends on Iran's desire or lack thereof to widen the scope of the war. However, this does not rule out the possibility of an error happening here or there. Such a mistake could cause the war to spread southward a few kilometers to take in Kuwait, whose territory would become a theater of war.

What is the magnitude of this danger? Can Kuwait confront it?

AL-MAJALLAH has posed these and other questions to a number of officials, political personalities, professors from Kuwait University and members of the People's Assembly. The following investigation is the result.

Our first meeting was with Shaykh Fahd al-Amad. At the beginning of the interview, he affirmed that "Kuwaiti positions, as a government and a people, have always been rooted in a pan-Arab vision. All its political positions

have sprung from this source. Kuwait has called for peace and concord. It acts as a mediator between its brothers in order to bring their different points of view together. Kuwait has never been a party to any conflict. Since the 1950's, we have striven to see that our policy is balanced between all the Arab, socialist and capitalist countries. During the pan-Arab movement launched by the late leader Jamal 'Abd-al-Nasir, the Arab world was torn apart by conflicts. Kuwait continued to strive to avoid taking sides. Everyone looked upon it with respect and honor because of its pan-Arab positions, its good mutual understanding with others and its efforts to bring their points of view together.

"With regard to foreign affairs, Kuwait's political activity has been independent and clear.

"As for today, if Kuwait becomes a party to a conflict, this will be because of its unchanging position and its solid, pan-Arab principles. We have no control over the question of whether Kuwait will become a party to the conflict, because we are being pulled toward such involvement. Therefore, we are being forced to take sides, whether we want to or not. From my own point of view, Kuwait is a party to the conflict because it is an Arab country. I cannot imagine Kuwait remaining neutral if Arab land is occupied. Our pan-Arab affiliation does not allow us to watch from a position of neutrality while Arab land is occupied. I believe that this position is that of all the Arabs. As for the internal danger to Kuwait, it amounts to no more than some biased rumors repeated by certain persons who have listened to the Iranian broadcast media. These rumors say that Iran has helpers and a fifth column inside Kuwait. Let us ask ourselves this question: Do the Iranian authorities in Qum believe that all the peoples of Iran are with them and loyal to them?

"The answer is definitely no. Moreover, most of the sect to which the leaders in Qum belong does not support them. The idea the Iranian authorities have to the effect that they have millions of supporters in Kuwait is wrong. Tehran wants to use this notion to stir up chaos in Kuwait. Kuwaitis are Kuwaitis above all else. They belong and are loyal to the country that raised and cared for them, and in which they have lived and are living in peace. Of course, no country in the world is free of a fifth column. This is true of America, Russia and even Egypt.

"Kuwait is a small country in which rumors spread quickly. When it was rumored that the water stations were to be attacked, people hurried to buy and store water. However, in this regard it is reassuring to note that Kuwaiti society is tightly knit. The security situation is stable and stronger than it used to be. Small societies usually pull together when confronted by external dangers. I do not rule out the possibility of Kuwait being pulled into the conflict. Indeed, I have been expecting this to happen since the Iranian revolution began."

A Fifth Column

We put this question to Shaykh Fahd al-Ahmad:

[Question] If Kuwaiti society is tightly knit, as you say, then how do you explain the explosions that happened?

[Answer] Yes, there is a fifth column. But are all of them Kuwaitis? No. Instead, they are a group of persons who have infiltrated the country from abroad. Just as the explosions took place in Kuwait, explosions were felt in London as well. At any rate, the explosions served to underline the serious character of the situation at the time, so that the security authorities could take the right steps. Of course, I believe that one must always act to protect internal security before something happens. Before we ask how the explosions could happen, we should ask how the bombs came into the country. As for the threats and the lying statements, they are no more than child's play. Someone will announce that there is a bomb in a girls' school. Later, an investigation will show that he merely wanted to see his girlfriend come out of the school. Someone else will announce that there are explosives on a plane. When the police catch him, they find that his friends are traveling and he wants to keep them from going because he is unable to travel with them. These and other statements are false. Confusion is inevitable. Regrettably, the media are not very responsible when it comes to making the citizens aware of such things.

[Question] Do you expect the conflict to escalate from strikes against oil tankers to attacks on other targets, such as the oil wells?

[Answer] We must confront the pulling of Kuwait into other conflicts with some wisdom. The rulers in Tehran should ask themselves this question: In whose interest is this conflict, and whose interests will its expansion serve? Who benefits from the continuation of the conflict? They have exhausted the peoples of Iran, who are Muslims and our neighbors. If they come to harm, so do we, because their interests are matters of concern for us. Iraq has announced more than once that it is ready to accept peace and end the war. But Iran, after imposing this war on Iraq, now wants to force it on Kuwait and the entire Gulf. No matter how small Kuwait is, it will not give up its dignity. It was wise for the country to be silent at the start, when the first attempt to involve it took place. I have always said that it is easy to join battle but difficult to disengage. Kuwait did not refrain from responding and adopt a diplomatic course out of weakness. Now, I think that Iran is like a slaughtered lamb dancing in pain.

[Question] Do you believe that the great powers are interested in seeing the conflict develop?

[Answer] Who stands behind the conflict in the Gulf and the other conflicts in Africa, Lebanon and Latin America? It is the great powers. However, it is not in the interest of these powers to pull Kuwait into a conflict, because it follows a balanced policy vis-a-vis the great states and a wise policy with respect to the East and the West. Kuwait enjoys relations with both the capitalist and the socialist camps.

[Question] On this basis and for these very reasons, is it not possible that America is interested in pulling Kuwait into a conflict that could force it to take sides?

[Answer] No. The news agencies have already announced that America will not give Kuwait missiles so that it will not give them to the Palestinians, for Kuwait supports the Palestinians more than any other Arab country. Therefore, America is afraid to give rockets to Kuwait, lest they reach the PLO. America fears for its Israeli friends. America has excluded us from its circle of friends. Let us forget America for a little while and pose this question: What about the Arab world? Though there may be partisan disputes between some Arab states and Iraq, what is the position of these countries on the conflict between Iraq and Iran? There are Arab countries that have not announced their positions, and yet our media attack Nicaragua and Zimbabwe because they did not stand with us in the Security Council. Why should we not attack some of the Arab countries as well? Today, no one can trifle with Kuwait's dignity, since it stands on the firm wall of the Gulf Cooperation Council (GCC). The GCC is on the political map, and Kuwait is not alone.

[Question] There is a difference between ability and desire. Kuwait wants to be resolute, but can it? Is it able to do so?

[Answer] Kuwait has the desire. As for our ability, well, let me remind you that we used to have a barren, empty, waterless land. The oil did not bring us into being in this land. Kuwaitis were here before the oil. We are ready to sacrifice anything for the sake of our land.

[Question] How can Kuwait stand firm? Will it do so through diplomacy or military action?

[Answer] One stands firm through diplomacy and politics first. After that, well, all in due time. There must be an aggressor and a party on the right side. Armed, military conflicts always end with political and diplomatic battles. The presence of Shaykh Sabah al-Ahmad at the United Nations and Kuwait's activity have given us great strength. These two factors have been able to prevent the war from widening as we feared it would.

[Question] What is the position of the GCC on Kuwait's actions? Can action be taken collectively by the Gulf societies, or must it be military?

[Answer] The GCC has expressed its desire to stand firm politically and diplomatically. When Iran continued to act provocatively, the Saudis taught it a lesson. Therefore, it would be best to find a political solution. If we cannot, we will know what to do. If we have no choice but to take up arms, then so be it. I do not think Iran is ignorant of the character of the Gulf people and the Arabs.

Kuwait and the Dangers of the Day

Dr 'Abdallah Hadiyah, professor of political science at the University of Kuwait, had this to say: "Many dangers have been confronting the states of the Arabian Gulf recently. This is especially true of Kuwait, which began its modern renaissance before any of the other countries located in the Gulf. For the last quarter of a century, it has been an oasis of stability and

security. In addition, its citizens have enjoyed a high standard of living. The state has consistently provided services in all fields to those who dwell in its territory. These services in the areas of education, health care, and culture have been free. Kuwait has even come to be rightly called a welfare state. In order to strengthen this orientation, Kuwait has adopted a balanced foreign policy. It acts aggressively toward no one and avoids arousing any neighboring country. Kuwait has worked to build balanced relations with the two great powers, although its ties to the United States of America have been firmer and stronger by reason of the historical relations between the Gulf countries and the nations of the Western bloc as a whole, especially Britain and the United States.

Kuwait has always felt like a small country in the midst of a frightening triangle. This feeling has pushed it to establish relationships of love and cooperation with these countries on the regional level. On the international level, it has been the only one of the small countries of the Gulf to have relations with the Soviet Union and the East Bloc. At home, Kuwait has followed a liberal course that absorbs the political currents in the region, especially through its press, which is considered advanced and diversified for both the region and the Arab nation as a whole. However, in recent times, several matters have come together that threaten Kuwait's stability and are designed to lead to the elimination of this balanced policy. An observer can suppose the crystallization of several dangers in the following:

First of all, there is the Iran-Iraq War, which has just finished its 4th year and begun its 5th. The effects of this destructive war are not limited to Iraq and Iran. Rather, they extend to all the countries of the region, especially Kuwait, since it is close to both Iran and Iraq. This war has posed a serious threat to Kuwait's balanced regional policy, since it has thrown the country into a very difficult position. This is especially so because each warring country is asking for Kuwait's support and backing. Each of the two has said that it is impossible and undesirable to take a neutral stand on this war. They have said that Kuwait must pick one of the sides in the conflict. Thus, the Iran-Iraq War has been tantamount to a compulsory test of the policy of balance and neighborly relations Kuwait desires to follow with its neighbors. This situation has put Kuwait in a very difficult position and affected its political and diplomatic behavior with regard to its support for Iraq and its efforts to reassure Iran. There is no doubt that this state of affairs is forcing Kuwait to ~~adopt~~ very difficult material and psychological commitments. Along with the other GCC countries, Kuwait provides financial support for Iraq. However, it is not working to arouse Iran. Neither is it planning to adopt a position officially opposed to Tehran. Naturally, this is due to the considerations that have forced Kuwait to establish balanced relations. It is also the result of the country's complex internal situation and the composition of its population. Despite all this, it seems that this policy has not pleased some parties, which have begun to try to enmesh Kuwait, so that it will take their side openly. They want to pull Kuwait into the war in their ranks. Kuwait's oil tankers have been exposed to repeated bombing that has caused terrible damage. Then there are the losses resulting from the obstruction of Kuwait's oil exports, which are the primary source of its income, its greatest resource

and the pillar of its economy. Moreover, the huge financial commitments Kuwait is making in this war affect its economic situation and the strength of its currency with respect to others. One cannot ignore the fact that the continuation of the war has harmed the economy of the entire region. Thus, the real winners are the arms merchants, who have found in the Iran-Iraq War a brisk market for their wares. The continuation of the war in this form creates a strong justification for a great power like the United States of America to intervene in the affairs of the region in order to protect its interests under the guise of protecting the small states in the area. Thus, the Gulf could become the object of international polarization.

Second: Kuwait is also confronted by the danger of sectarian strife. It has been surprising to see these feelings increase among many of its inhabitants recently. This indicates that there is a foreign power that is taking aim at Kuwait's unity. It is strewing the seeds of dissension and disunity among the people by forming groups and organizations that attack each other. This gives birth to extremist reactions and spread waves of hatred among the population. Therefore, Kuwait today has no choice but to work to strengthen the loyalty of its citizens, lest they be scattered among various parties.

Third: Kuwait is faced with economic dangers because of the enormous movement of capital fleeing the country through continuous transfers. There is no doubt that the war has made people afraid and caused them to expect betrayal. It also seems to us that the United States of America is looking at Kuwait uneasily. This might cause many to worry, especially after the famous incident in which Kuwait rejected the American ambassador transferred here from Jerusalem.

Fourth: For some time now, Kuwait has been facing the danger of water pollution, since oil slicks can drift into its waters. This can happen either because of the war or through sabotage. Such slicks affect both the environment and the country's fish resources. So far, we have not heard about any effective countermeasure or decisive solutions in this area.

Fifth: Saboteurs can slip into Kuwait from some neighboring countries. Today, Kuwait is being forced to close all the gaps that divide its population, attack dissension, strengthen internal unity and work to establish balanced relations with the great powers.

The People's Assembly

As for the members of the People's Assembly, now on annual parliamentary vacation until the end of October, they are holding political discussions that can last into the early hours of the morning. AL-MAJALLAH spoke with a number of Kuwaiti deputies about the issues of the day. In addition to other subjects, Deputy Salih al-Ghadban, the chairman of the committee for legislative and legal affairs in the People's Assembly, spoke about Iran's acts of aggression against Kuwaiti and Saudi oil tankers, saying that "They are the result of the fact that the Iraqi forces are tightening the noose around Khark Island. The Iranian attacks on the Arab tankers came because five Iranian tankers were hit at the harbor at Khark Island

by Iraq. Iran's response was to put pressure on Kuwait, Saudi Arabia and the Gulf countries in an attempt to pressure Iraq." Deputy al-Ghadban pointed out the Gulf's effective response, "which was to call for the issuing of Security Council resolution 552. This resolution condemned the Iranian aggression. In addition, the Gulf countries began to close ranks. They called for a meeting of the chiefs of staff in the Gulf. I believe that the meeting arrived at a good result with respect to protecting the tankers. In addition, Iran has retreated back from its pugnacious position in light of the way the Gulf states are cooperating via the GCC, which has to gain respect as a regional organization with weight." With respect to America's previous position on supplying Kuwait with Stinger missiles, he said, "The Zionist lobby just laughed into its beard. This forced the America elections are almost upon us."

Deputy Faysal al-Duwaysh had this to say: "During the 4 years of the war, Iran has shown that it does not intend to subjugate a certain regime or gain control of a particular piece of ground. Instead, it is trying to bring the entire region under Persian influence. Otherwise, it would not have accepted the enormous human and economic drain it has experienced on its capabilities and treasure. It is necessary for the countries of the region to be aware of this goal and to arm themselves sufficiently so as to ward off the arrogant Iranians. The Gulf has to make its stand on its own. Our human resources and financial capabilities make us fit to meet any contingency." With regard to the missile deal, al-Duwaysh said: "There are arms dealers everywhere." With regard to the continuation of the Gulf War, al-Duwaysh said that if the mutual defense pact among the Arab states were implemented, Iran would think a thousand times before firing one shot. He then expressed his deep regret concerning the cooperation of some Arab states with Iran, which does nothing to bring the end of the war closer.

As for Deputy 'Abd-al-Karim al-Hujayli, he thinks that "The Gulf states' measures are insufficient. It is necessary to create a unified and comprehensive stand in support of Iraq." He thinks that "Arab weakness will make the same thing happen to the Gulf that happened to Palestine. As for the great powers, they are benefiting from this war, since they are sucking up the region's wealth in the form of weaponry and aircraft hardware. As for Iran, it understands only the language of power. The ambitions of the Persians are ancient. Since the time of the Ottoman Empire, Iran has been trying to extend its influence over the entire region. As for weapons, we have enough to ward off Iran and its blatant aggression against Arab territory. All should know that we do not want war and are not striving for it. Iran has forced the war on us. Right now, the only front ready for combat is the Iraqi front, which we must support. The Iraqis must enjoy our full support, if not because they are our brothers, then because we fear for ourselves in the face of this impending danger."

[Box on p 10]

An interview with 'Abd-al-'Aziz Husayn

'Abd-al-'Aziz Husayn, the Kuwaiti minister of state for cabinet affairs, thinks that Iran's bombing of the Kuwaiti oil tanker "Kazimah" shows a lack of respect for international organizations and their resolutions, since it

occurred after the Security Councils' issuing of resolution number 552, which condemned Iran's previous acts of aggression against Kuwaiti and Saudi oil tankers.

In a private interview with AL-MAJALLAH, the minister had this to add: "As soon as the tanker was attacked, Kuwait informed the Security Council. We know that the United Nations and the Security Council do not possess the wherewithall to implement their resolutions. Given the moral and spiritual standing enjoyed by the international organizations to which all the parties belong, all their members ought to take into consideration the resolutions they issue. If one party does not accept the resolutions, this is considered permission for the aggrieved party to defend himself with all the ways and means at his disposal."

The Kuwaiti minister of state answered the following questions during his meeting with AL-MAJALLAH:

[Question] Can one say that the diplomatic efforts made by Kuwait and the other Gulf states in order to confront the Iranian attacks on the tankers have been sufficient, if we take into account the fact that Iran is continuing to threaten still more such attacks?

[Answer] Both diplomatic efforts and numerous individual, regional and international efforts at mediation have been exerted to stop the Iran-Iraq War since it broke out. All of us know that the efforts have been fruitless because of Iran's frustrating conditions, which are unacceptable to Iraq.

In the last few weeks, a development occurred. The Iranian air force attacked Saudi Arabian and Kuwaiti tankers, although these two countries are not parties to the current war. This moved the GCC countries to refer the matter to the Arab League. From there, it went to the Security Council, which issued resolution number 552 in condemnation of Iran's behavior. The resolution considered these acts on Iran's part to be violations of international norms and laws. This is part of the diplomatic effort the GCC countries have been making. Their goal is to make their voice audible to the highest levels of world opinion. The other side of the coin has consisted of bilateral contacts with the great powers and countries interested in the freedom of navigation in the Arabian Gulf. The GCC countries have tried to explain their point of view in order to warn of the dangers to be expected from these violations of the safety of navigation in the Gulf. These dangers could have an enormous effect, not only on the Gulf countries themselves, but on the world economy and the supply of energy to the consuming countries.

[Question] Some American statements refer to the responsibility of the United States for what is being called "the protection of Kuwait." What is your interpretation of these statements and their aims?

[Answer] We have not heard any American statements referring to the responsibility of the United States to protect Kuwait. However, we have heard America state that it is interested in freedom of navigation in the Gulf and recognizes the need for the Strait of Hormuz to be open to international navigation.

[Question] Can one say that the movement of Kuwaiti tankers has stopped now, in order to avoid further likely attacks?

[Answer] Three Kuwaiti tankers have been hit, the last one being the giant tanker "Kazimah." These tankers are being fixed so that they can continue their work. As we all know, they are part of the fleet of Kuwaiti oil tankers that ply their trade as usual. These attempts at unjustified aggression against the oil tankers will not prevent us from exporting our oil to our agents, in order to meet the need international society has for energy. After all, exported oil is the major source of the state's income. Kuwait cannot surrender and stand with its hands tied in the face of these escalating acts of aggression. It is a member of the GCC, which has affirmed that any act of aggression against a member state will be considered an attack on the other member states as well. No matter how underrated international society and the conscience of the world may be, certain facts cannot be ignored. At the head of the list stands the preservation of sovereignty and the freedom of nations, no matter what their size. There is also the preservation of international law and the freedom of navigation. If these matters are not taken into account, the result will be chaos. He who causes it will lose the most.

[Question] The government of Kuwait adopted security measures as part of a plan devised by the cabinet after the bombings last December. Can one feel secure about these measures, since more attacks on security are expected.

[Answer] The competence with which the security agencies confronted the bombings and the popular awareness that formed during this period have demonstrated the capacity of both sides to meet the responsibility of maintaining security and stability, as well as their ability to cooperate in moving against the offenders. The security measures were strengthened thereafter in order to fill any gap that might lead to lapses in security.

Like an open society would, we are developing the means at our disposal and taking additional precautions in order to affirm our ability to confront any emergency. If a country is targeted for one reason or another, it must expect the worst. Wakefulness and caution might be its most important advantages.

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CSO: 4404/555

MILITARY SERVICES' EQUIPMENT REVIEWED

London AL-MAJALLAH in Arabic No 230, 7-13 Jul 84 pp 11

[Article: "Kuwait: The Armed Forces"]

[Text] The Kuwaiti armed forces contain 12,400 soldiers. Of that number, the ground forces account for about 10,000. In the year 1981/82, these forces spent about 443.1 million Kuwaiti dinars (\$561 million).

Ground and Mechanized Forces: Kuwait's force of artillery and armored vehicles consists of 70 Vickers MK1 tanks, 10 Centurion tanks, 160 Chieftain MBT tanks, 100 Salah-al-Din armored vehicles, 80 Firit reconnaissance vehicles, 175 M113 armored vehicles, and 130 Saracen vehicles, in addition to a number of anti-armor artillery pieces and shells. It also has some 155 millimeter field guns, in addition to artillery of different calibers. Moreover, it has FROG surface-to-surface missiles and some 81 millimeter mortars, in addition to armor-piercing missiles of the HOT, TOW, and Vigilant models. It also has shoulder-fired Sam-7 anti-aircraft missiles.

Kuwait has asked for the following weapons: a number of Scorpion armored vehicles, 188 M-113 AFC armored vehicles, 56 M-113 vehicles, armor-piercing TOW missiles, and 4,800 improved TOW missiles.

Naval Forces: The Kuwaiti fleet consists of 500 coast guard boats, 47 patrol boats, some 15 of which are equipped with heavy weapons, and 6 landing boats. Currently, orders have been made for the following: a number of new armed boats, some hovercraft, 12 armed boats for protecting port facilities, and 45 armed boats outfitted with surface-to-surface missiles.

The Air Force: The air force consists of 1,900 men (with the exception of foreign experts), as well as two squadrons of Skyhawk fighter-bombers numbering a total of 30 planes. They are intended to be used for ground bombing and air support. The defensive squadron consists of 17 Mirage F-1's. Kuwait also has for military transport and parachute drops, 2 DC 9's, Hercules aircraft and 3 squadrons of helicopters containing 23 of the Gazelle type and 9 of the Puma type. The air force also has 9 training aircraft of the Strike Master type.

There are also a number of surface-to-air rocket batteries for air defense. They consist of improved Hawk missiles. As for air-to-air combat missiles, the air force has Sidewinders and R-550 Magic missiles. As for air-to-surface missiles, the air force has the developed Super 530's and SS11/22's.

ILLEGAL IMMIGRANT PROBLEM CAUSES CONCERN

London AL-MAJALLAH in Arabic No 230, 7-13 Jul 84 p 12

[Article: "The Danger of Border Penetration"]

[Text] The offices in charge of security in Kuwait are currently being deprived of their sleep by the problem of persons who enter the country without passports, visas, or permission to visit. In the last few days, the security agencies announced that 200 Iranians had infiltrated to the shores of Kuwait. The authorities said that a limited number of them had been arrested. That is, most of them are still on the run, just as new security measures are being implemented to deal with the thousands who have sneaked into the country despite all the obstacles and limits. One must ask what will become of this issue, which represents a serious security problem now more than at any other time in the past. Observers in Kuwait say that the problem is an old one. The country's open shores and penetrable borders have been a matter for official concern for a long time. However, this interest has increased since the beginning of the 1970's, since economic activity has increased and the Kuwaiti market for foreign labor has grown.

For Iranians to sneak into the country, they need do no more than undertake a short sea voyage. As for the Arab immigrants, they have only had to make an even shorter journey by land across the Iraqi border. In the last few years, people with a variety of nationalities have infiltrated the country: Iranians, Egyptians, Syrians, Yemenis, and even Indians, Somalis, Pakistanis, and Senegalese. Illegal aliens and employers have shared a common interest. The former will accept any kind of work, no matter how menial, while the latter can pay lower wages, since the workers are illegal in this case. However, awareness of the problem of immigrant labor has risen, while security measures have developed. Thus, the numbers of such immigrants have begun to decline. Whereas the security offices recorded 2,421 cases of apprehended illegal immigrants in 1979, the figure fell to 566 in 1981. In 1982, it fell further to 486. In the first 10 months of 1983, 486 cases were recorded.

A few months ago, an important development occurred. Bombs were exploded that had as their targets the American and French embassies, the al-Shu'aybah area, the homes of the American experts, and the Ministry of

Electricity and Water. At that time, it was said that a portion of the problem lay in the presence of unregistered immigrants who had come to the country with sabotage in mind. It was decided to carry out a broad search of the residential complexes inhabited by foreigners. In fact, those without search of the residential complexes inhabited by foreigners. In fact, those without proper residence permits were expelled, whether they had entered the country illegally or come by legitimate means and stayed in Kuwait after the expiration of their residence papers. Since then, many persons working in the sectors of construction, trade, minor and personal services, and marginal labor such as automobile washing have disappeared. When the security authorities announced recently that four Iranians had been arrested and charged with preparing to place explosives in government media installations (the radio and television building), the announcement was made about the 200 illegal immigrants as well. People began to ask if there was any connection between the two incidents. The possibility exists, especially since the incidence of illegal entry by non-Iranians has decreased more than the incidence of entry by Iranians. Those who work at construction sites on the sea coast still see groups of Iranians disembarking from boats at night. They then head for the complexes where the temporary workers live, where they try to change money and ask for directions to the city.

This has fallen off a little as a result of the coast guard patrols and the intensification of security measures, as well as the popular fear of public dangers from inside or outside the country. This phenomenon was supposed to disappear. However, despite that, a group of illegal immigrants was recently nabbed. This indicates that it has not come to an end. There is cause for worry that Iran has been sending personnel into Kuwait.

AL-MAJALLAH has learned that new measures have been taken to confront this situation. These have included the closing off of the area of al-Shu'aybah. No one is permitted to head toward it or travel on the road leading toward it unless he works there or has a special pass. In addition, surprise searches are being conducted in the worker complexes, especially those used by construction workers, in an attempt to find illegal immigrants and persons without proper residence permits. In addition, a number of launches have been added to the Coast Guard and 51 border posts have been strengthened.

But what is the true magnitude of this phenomenon?

In the last 3 years, some 3,600 persons have been arrested. But what is the total number of illegals, including both those who have been arrested and those who have escaped? Is the phenomenon disappearing?

The security offices in Kuwait look on the matter with resolution. The situation is such that unknown persons cannot be permitted to sneak into the country and work unmonitored.

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JUMAYYIL INTERVIEWED ON POSSIBILITY OF NATIONAL UNITY

Paris POLITIQUE INTERNATIONALE in French Summer 84 pp 209-213

[Interview with Lebanese President Amin Jumayyil by Jean-Paul Chatelier; date and place of interview not specified]

[Text] [Question] Mr President, in your opinion, who is mainly responsible for Lebanon's present tragedy? Are the origins of the upheavals affecting your country basically domestic?

[Answer] The internal aspect of the Lebanese conflict cannot be denied, of course. Moreover, is there any country without internal divisions? However, the war in Lebanon has many facets: the anarchic presence of more than one-half million Palestinians, often heavily armed; numerous inter-Arab contradictions; the Israeli-Arab conflict; and finally, struggles for influence and the East-West confrontation. If we add to this the fact that our country lies in a strategic location, placing it in the heart of a region in turmoil, it must be acknowledged that the present situation has been caused by outside forces. Furthermore, the concerns of the United Nations, the summit conferences of the Arab League, of the Nonaligned Nations, of Islamic countries and the European Community prove that our problems go far beyond the borders of Lebanon itself and intimately involve more than one country. Our problems can threaten peace in the region and even international peace.

[Question] Do you believe that Lebanon's situation would be different today if ~~Westerners~~ had let Ariel Sharon "finish the job" that he started in June 1982?

[Answer] Different, of course. I would like to point out here that that war was waged by the Israelis to avert the danger that the Palestinian armed presence in Lebanon represented for them. In addition, for many years Lebanon had constantly insisted that Arab League members formulate a joint strategy to resolve that problem. Unfortunately, our insistent and repeated demands were in vain.

[Question] Don't you think that France, because of its historic ties with Lebanon, has a special responsibility to your country, a responsibility that it has only partially accepted too often in recent times?

[Answer] France is obviously one of the countries most able to help us, since we share a civilization and social, economic and cultural ideals and interests with it. It is possible, however, that the interests of France in certain countries in the region have reduced its role and its willingness to help us. But I am still convinced that this is an ethical question and that France will live up to the spiritual, moral and human values which it has always embodied in the minds of the Lebanese people.

[Question] Shouldn't the Multinational Force have helped--at least militarily--the legal government of Lebanon to extend its control over all of Lebanese territory?

[Answer] The mission of the Multinational Force was always clear: it was sent here for only a short time and only to Beirut. There was never any question of its liberating all of Lebanese territory. That force therefore fulfilled its mission at the cost of numerous sacrifices and we are very grateful to it.

[Question] In your opinion, what aims are the USSR and Syria pursuing in Lebanon?

[Answer] It is not for me to assess the motivations of others. A small country geographically, with only about three million inhabitants, Lebanon has nevertheless been able to compensate for such shortcomings by becoming a center of civilization, a meeting point of ideologies, beliefs and people. For this reason, Lebanon represents a necessity, for itself but also for the rest of humanity. My unshakable conviction is that my country's profound mission is to be a catalyst for peace. The fact that we form a sociopolitical mosaic implies that, in our country, no one-way policy can succeed.

[Question] Do you accept the idea of Lebanon being partitioned?

[Answer] In taking up my office, I swore allegiance to the "Lebanese nation" as required by our constitution. I have also pledged to preserve the unity of Lebanese territory. I intend to keep that promise, regardless of the price.

[Question] Considering the current ratio of forces, according to what plan do you intend to rebuild Lebanon?

[Answer] I could not pretend to anticipate the future results of the proceedings of the various commissions provided for by the Conference of Lausanne. Any formula is negotiable. We often hear talk of "decentralization" or "cantorization"; this overlooks the fact that Lebanon is a case all its own. Moreover, our political organization puts us in what a new school of jurists calls a "consociative system," which does not conform to the ordinary rules of majority governments. How could it be otherwise, since all groups must feel they are represented in the workings of the government? Thus the country has always been governed by broad coalitions based on proportional representation; a veto mechanism makes it possible to guarantee the stability thus established. The autonomy of religious groups is also assured by the system of particular regulations peculiar to each community. It is not difficult to imagine how this sociolegal structure could be modified to take into account the recent upheavals resulting from the war.

[Question] Would a "secularized" and thus lay system have some chance of being accepted by Lebanese Moslems?

[Answer] "Secularization" is not a synonym for "laicization." The first concept is political, while the second is legal. But regardless of this, this question is currently being debated and has not yet been resolved.

[Question] Israel and Syria do not seem ready to abandon "zones of security" in Lebanon. Under these conditions, how is it possible to speak of "sovereignty" for your country?

[Answer] Rather than "zones of security," I would say that those two countries are holding on to "arrangements of security" that are not incompatible with the country's sovereignty. Moreover, the Armistice Agreement concluded with Israel in 1949 under the auspices of the United Nations provides for such measures and this text is still in effect in our eyes. In any case, the Lebanese Government is definitely determined to prevent its territory from being used against anyone, regardless of who they are, and conversely demands absolute respect for its sovereignty, its independence and its integrity from others.

[Question] After successively playing the Syrian, Israeli and American cards, on what foreign support does Lebanon now plan to rely to assure its political and economic reconstruction?

[Answer] In this regard, my "card" is and will always be the Lebanese card. This choice derives directly from my constitutional oath. Its success rests on the support of the Lebanese people, of friendly countries and of the international community in general. The country's economic reconstruction remains tied to political reorganization and the restoration of security. Arab countries, the EEC and other friendly nations have made firm promises to us, promises which I am convinced will be kept.

[Question] Doesn't the lack of change in the Lebanese political class, which is characterized by the dominance of hereditary principles, constitute a stumbling block in your country's political system?

[Answer] Lebanon's attachment to democracy has not prevented it from taking into account the traditions and historic role of certain families to whom the people remain deeply devoted in spite of everything. Moreover, the "sons of influential families" to whom you refer may have qualities and charisma that make them worthy of leading the people. However, a grass-roots movement for change in political leadership is now perceptible within every community.

[Question] Aren't you afraid of a fundamentalist explosion in Lebanon?

[Answer] We live in a democratic country. We cannot ban fundamentalism, but on the other hand we want its supporters to respect the freedom that is also a prerequisite for their own existence.

[Question] What is your response to those who believe that Lebanon has lost all international credibility by renouncing the Israeli-Lebanese agreement of 17 May?

[Answer] That agreement had been concluded under the auspices of the United States. Israel violated the spirit of the agreement by its untimely withdrawal from the Shouf and by its practices in southern Lebanon. You probably know that before signing the agreement, Israel had informed the Americans that it reserved the right to link the withdrawal of its troops to the withdrawal of Syrian troops, which amounted to giving Syria the right to veto the agreement. This is what happened, especially since the text had not yet been ratified. That was absolutely our right and Lebanon's credibility was by no means damaged in that affair. Circumstances simply developed in such a way that they no longer permitted the agreement's implementation.

[Question] Are you in favor of the creation of a Palestinian state?

[Answer] Lebanon, being devoted to law and justice, can only be in favor of self-determination and respect for the legitimate rights of the Palestinian people. Moreover, it is in our interest to find a just and lasting solution to this problem, for the presence of more than one-half million Palestinian refugees constitutes a considerable demographic, political, economic, social and military problem for us.

[Question] Do you believe in the possibility of a "strategic consensus" uniting the moderate Arab states, Israel and the United States?

[Answer] I would like to remind you that all Arab League member nations also belong to the Nonaligned Nations Movement. This is a fundamental point. Thus far, there has never been any question of such a consensus, for all Arab countries--whether moderate or not--are united by the resolutions adopted by the Arab League and the Nonaligned Nations Movement. Thus it is totally impossible for them to side, in one way or another, with the superpowers.

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CSO: 4419/9

OFFICIAL COMMENTS ON NATIONAL CRISIS

Paris POLITIQUE INTERNATIONALE in French Summer 84 pp 229-240

[Article by Naoum Farah, chief of the Department of Foreign Affairs and official spokesman for Lebanese Forces (Unified Christian Resistance): "Lebanon: the Stakes"]

[Text] What is the situation in Lebanon like in this summer of 1984?

What are the future prospects for a lasting settlement of the Lebanese crisis in its threefold domestic, regional and international dimension?

These are the questions that observers and militants are asking themselves. And answering them is hardly easy. In fact, since the war in Lebanon "officially" began more than nine years ago--or since 13 April 1975--there have been many attempts to unravel the tangled web. Although written by a participant in the Lebanese conflict, the present article nevertheless endeavors to be objective in its presentation of the facts. Of course, the proposed solution derived from this analysis expresses the view of the Lebanese Christian Resistance.

Present Facts

Over the last 12 months, a multinational political-military battle has unfolded (and is still unfolding--but on different levels) in Lebanon. It has led to four major results: the total defeat of the West and a setback for Israel; the victory of Syria; a strengthening of the USSR's role; the emergence of Lebanon's Christians.

The defeat inflicted on the West at the time of its intervention in Lebanon can be described, without exaggeration, as total. In fact, both strategically and tactically, the West failed deplorably in its attempt to secure Lebanon, as a country, to the free world. This defeat was expressed, above all, by the abortive mission of the Multinational Force (MF). From the outset, the MF's role was clear and was defined as follows:

- 1) "To assure the physical safety of Palestinian personnel departing from Beirut and the dignity of their departure."
- 2) "To assure the physical safety of the other inhabitants of the Beirut area."

3) "To promote the restoration of the Lebanese Government's sovereignty and authority throughout the Beirut area."

In a particularly caustic article, a celebrated Lebanese editorialist² commented on the departure of the French contingent's last unit in these terms:

"An excessively long discussion of this is pointless. Let us note only that, contrary to each of these three objectives, Mr Hernu is withdrawing his contingent even though:

1) Some Palestinians who left Beirut between 21 August and 1 September 1982 have returned to Beirut and many more of them could have even returned, since the MF was not concerned about it in the least.

2) The residents of the Beirut area (since East Beirut is an integral part of the city and its outskirts are part of the 'Beirut area') have been bombarded day and night for 11 months, sometimes by the Syrians, sometimes by the Palestinians or by Lebanese in revolt, without the 'physical safety' of those residents ever being the subject of the MF's least protection--and not, in any case, of its French contingent.

3) 'The Lebanese Government's sovereignty and authority,' whose 'restoration throughout the Beirut area' was the mission of the MF, actually existed in that area as a result of ... the 'Israeli invasion,' which routed the Palestinians and Syrians; but that sovereignty and authority has ceased to exist, gradually shrinking away as the MF's presence continued, dwindling to nothing on the eve of the departure of the final unit (French, if you please!) from Beirut.... In truth, never was a mission so fully accomplished by achieving the exact opposite of its requirements!"

The negative consequences of this political-military battle waged by the West in Lebanon are basically due to the following factors: the inconsistency of U.S. policy, which was unable to use either the "carrot" or the "stick" judiciously; the ambiguity of French policy, motivated by the desire to dissociate itself at all costs from U.S. policy in Lebanon.

In its constant arm wrestling with the Soviet Union, the United States lost strategically. This loss was aggravated tactically by the U.S. withdrawal under Syrian pressure. In fact, Damascus cleverly manipulated the inconsistencies dividing the MF's member countries: the United States, France, Italy and the United Kingdom.

Moreover, President Reagan³ himself recognized the failure of his diplomacy in Lebanon: "We have not succeeded in the areas in which we thought we could improve matters."

Confronting Moscow, Washington was obliged to withdraw the "Marines" hastily. Confronting Damascus, the United States witnessed with the most total helplessness the abrogation of the Israeli-Lebanese agreement of 17 May 1983, whose preparation had nevertheless been closely sponsored by the U.S. administration. How can these blows to the West's influence and prestige in the Middle East be explained? For Mr Charles Malik,⁴ the explanation is as follows: "The most

outstanding geopolitical fact in the world today is not the nuclear threat, but rather the fact that the Americans don't want to fight. The world is aware of that and makes its plans accordingly. Grenada is not a serious exception."

As for Israel, its setback was even more bitter because that country has common borders with Lebanon and Syria and because the abrogation of the Israeli-Lebanese agreement of 17 May 1983 came at a time when the dynamics of the Camp David process seemed to be getting bogged down in the sands of the Sinai. And wasn't one of the stated objectives of the Israeli "Peace for Galilee" Operation, carried out in the summer of 1982, also to assure the safety of cities and villages in the northern part of Israel? And to promote friendly relations between Lebanon and Israel? The agreement of 17 May therefore stipulated in its preamble:

"The Government of the Lebanese Republic and the Government of the State of Israel (...), reaffirming their faith in the goals and principles of the Charter of the United Nations and acknowledging their right and obligation to live in peace between themselves...."

Thus one of Israel's main hopes vanished, which consisted of normalizing its relations with a second Arab League member country. Israel made another mistake by counting on Mr Walid Jumblatt,⁵ whom it considered a supporter of the agreement of 17 May.

A high Israeli official⁶ expressed his government's deep disappointment in these words:

"PSP Radio, 'The Voice of the Mountain,' and the newspaper AL ANBA are raging against us. That is not surprising at all since the leader of the Progressive Socialist Party (PSP), Mr Walid Jumblatt, is cooperating closely with Syria. But such loyalty does not serve either the interests of the Druzes or those of Lebanon as a whole. In fact, such submission no longer even serves Mr Jumblatt himself; the Syrians obviously have their own interests, as shown by their rapprochement with President Amin Jumayyil, who was given a princely reception in Damascus despite the objection of Mr Jumblatt."

Israel's third failure: the erosion (temporary, in our opinion) of the influence of Lebanese Christians. This setback is due, first of all, to the defeat of the Lebanese Forces in September 1983 in the Shouf and Aley regions at the hands of Mr Jumblatt's militia, massively supported by the Syrian Army and Palestinian dissidents. The Druzes' victory occurred as a result of the retreat (as is known) of Israeli troops from the mountain and at the cost of coldly perpetrated massacres of more than 1,500 Christian victims.

Twenty months after the Israeli operation in the summer of 1982, during which part of the Syrian army of occupation was cut to bits, Syria succeeded, despite its president's illness, in regaining the trump cards of the Lebanese crisis. This dramatic recovery was due to the combative and unscrupulous tenacity of Syrian leaders, who were strongly supported in their bid by a Soviet Union wanting above all to drive the Americans out of the Middle East. Thus Syria again became the key country for any political settlement of the Israeli-Arab

issue and the USSR was able to eliminate, at least for the time being, any possibility of establishing a "Pax Americana" in the region.

What is Syria's present role in Lebanon?

By obtaining the withdrawal of the MF, by directing from afar the attacks on the U.S. and French contingents in Beirut, Syria emerged, in the eyes of the Arab world, as the champion of the struggle against Western "imperialism." In this spirit, the Syrian minister of foreign affairs, Mr Khaddam, stated: "Syria is leading the fight against U.S. hegemony in the Middle East."⁷ And as early as 9 March 1983, President Hafez Assad⁸ also called on the delegates to the Nonaligned Nations Conference in New Delhi to support the liberation struggle being waged by the peoples of Central America against the United States and to condemn U.S. policy regarding North Korea.

By obliging the Lebanese Government to abrogate the Israeli-Lebanese agreement, Syria killed two birds with one stone: first, it provided proof to Arab countries--to Jordan in particular--that no agreement with Israel, ever concluded under the auspices of the United States, could succeed without the prior approval of Damascus; second, it put official Lebanon back in the Syrian sphere of influence.

Of course, even before obtaining the abrogation of the Israeli-Lebanese agreement, Syria already controlled (to varying degrees) the principal components of the Lebanese Islamic opposition: the Progressive Socialist Party of Mr Walid Jumblatt and the "Amal" (Shi'ite) political-military movement of Mr Nabih Berri.

To do this, Damascus used and is still using a broad array of resources ranging from intimidation to financing of military needs. When we learn that a single salvo of 40 rockets fired by a battery of Soviet mortars costs more than \$80,000 and that the PSP has already fired tens of thousands of such rockets, graciously supplied by Damascus or offered by Libya and the USSR, but routed through Syria, we get a better idea of the degree of that party's dependence on Syrian leaders. And the same is true of Amal. Let us make a slight modification of this observation, however. Concurrent with his submission to Damascus, Mr Walid Jumblatt was able to maintain effective relations with Israel. Playing on the sectarian feelings of his Israeli coreligionists and exploiting the importance (?) of the Druzes in preventing the infiltration of Palestinian terrorists to the south, the PSP leader was able to obtain, if not Israel's declared support, at least its benevolent neutrality until February 1984. Numerous PSP emissaries also visited Israel regularly to establish an active lobby supported by Israeli Druzes, whose goal is the creation of a Druze canton in Lebanon.

Thus far, Syria has tolerated Mr Jumblatt's "flirtation" with Israel because it also found this to be in its own interest. Wasn't the PSP the political and military beachhead that enabled Damascus to impose its will in Lebanon? But there is no doubt that sooner or later Mr Jumblatt will have to make a painful choice and choose permanently and totally either Damascus or Jerusalem. As for the Amal Shi'ite movement, it is obtaining demands--most often with gunfire--that should ultimately enable the Shi'ites to gain effective control of the government apparatus, the first stage prior to establishing an Islamic Republic in Lebanon.

It should also be noted that in the momentum of its return to the Lebanese scene, Syria was able, in 1983, to eliminate the PLO in Lebanon politically and militarily. Routed from Beirut by Gen Ariel Sharon, Arafat, who had established his general headquarters in Tripoli, was forced under the threat of Syrian artillery to sail for Tunis, taking with him the troops that remained loyal to him! For Syria--it will be recalled--had aroused beforehand a wave of anti-Arafat dissidence within the Palestinian ranks.

Finally, let us not forget that thanks to the presence of its troops in the Bekaa Valley, Syria made possible the establishment of Iranian and pro-Khomeyni bases there, a veritable hotbed of Shi'ite fundamentalist terrorism.

But everything isn't rosy for Syria. Just when President Hassad was regaining the upper hand in Lebanon and his prestige in the Arab world, illness forced him to take constitutional measures to compensate for a possible vacancy at the summit of the government (creation of three vice presidencies and the propulsion of his brother, Rifaat, commander of the Alawite regime's Pretorian Guard, into his country's forefront). Mr Rifaat Assad, appointed vice president and practically in charge of defense and security affairs, faces a veritable Sunnite axis composed of another vice president (Mr Abdul-Halim Khaddam), the minister of defense (Gen Moustapha Tlass) and the chief of staff (Gen Hikmat Chehabi), as well as group of Alawite generals who are "tribally" hostile to him.

Syria's victory is also a victory for the USSR. In fact, Moscow was pursuing two immediate priority objectives in Lebanon: the abrogation of the Israeli-Lebanese agreement and the departure of the MF, which was considered to be directly under NATO command. This has been achieved. The accomplishment of these goals opens new horizons for the USSR in Lebanon and Arab countries.

In Lebanon, the Communist Party (PCL) is in the process of making the most of "Big Brother's" successes to improve its public image among certain strata of the Shi'ite community; it is also substantially reorganizing its visible and clandestine military structure. We should also note the destabilizing role assigned to the "Organization of Lebanese Communist Action" (OACL), whose rank and file are mainly composed of Shi'ites.

In the Arab world, let's first examine Soviet influence on Syria, which has benefited from Moscow's unconditional support in its diplomatic and military confrontation with the United States. The USSR intends to harvest the fruits of its commitment to Damascus.⁹ Syrian-Soviet cooperation extends to the entire area of the Arabian Peninsula and is taking concrete shape through support provided to pro-Soviet popular movements in that region: the "Popular Front for the Liberation of Oman," the "Democratic Front for the Liberation of Somalia" and several Jordanian, Iraqi and Sudanese extremist groups.

As for so-called "moderate" Arab countries, the Lebanese example will serve as a lesson to them. From now on they will avoid gambling exclusively on U.S. aid and the song of the Soviet siren will seem more attractive to them. The Saudis, although sparing with words, have admitted this. Their ambassador to Washington, Emir Bandar Ben Sultan, in commenting on U.S. hesitation in Lebanon, said that "they have damaged their credibility enormously."¹⁰

There is also a Syrian-Cypriot difference of opinion on the respective territorial waters of those two countries, the purpose of which is to challenge the positions of the British bases on Cyprus and to call into question that island's essential role for NATO; this danger is reinforced by the modernization of the Syrian ports of Lattaqui and Tartous, where the Soviets have major maritime facilities available to them.

Moreover, according to a well-informed British bulletin,¹¹ the "range of the SAM [surface-to-air] 5 missiles deployed in the far north, near the Syrian village of Mesken, extends to the northwest as far as Incirlik (an important NATO base) in Turkey."

Only the Christians of Lebanon are resisting this Syrian surge¹² and Soviet expansion. Firmly entrenched on the land, they have to assure their continued existence, which is threatened by the breakup of the regular national army, the weakening of central authority, which even the new so-called cabinet of "national unity" cannot manage to stop, and the proliferation of hostile militias.

Then what is the solution?

Future Prospects

Everyone agrees on one point: Lebanon is a multidenominational country in which several societies, each with its own historical, religious, cultural and political features, are trying to coexist despite the tensions and conflicts punctuating their history.

Our aim is not to make an analysis of these conflicts here.¹³ From the standpoint of the present Lebanese political system, whose two pivots are the constitution of 1926 and the unwritten National Treaty of 1943, a kind of "federation" of religious communities exists in Lebanon.

Thus the offices of president of the republic, the Chamber of Deputies, Council of Ministers, parliamentary seats, ministries, posts in the judiciary, military and civil service are distributed pro rata based on the numerical size of each of the "historical" religious communities. Numbering 15, they are divided into three different categories: Christian, Moslem and the Israeli communities. In civilian life, all Lebanese citizens are governed by different laws related to their religious community membership.

Since the acquisition of independence in 1943, some governments have unsuccessfully tried to promote the idea of a state-nation. With each attempt, community feeling prevailed and the social texture again became "a precarious aggregate of autogenous communities."¹⁴

This situation prevails even today. On one hand, the Islamic communities demanded and got both the abrogation of the Israeli-Lebanese agreement and the placement of Lebanon in the Syrian orbit. On the other, Lebanese Forces, expressing the wishes of the overwhelming majority of Christians, opposed the abrogation of the aforementioned agreement and fiercely rejected the Syrian decrees. For in the view of Christians, beyond direct control by Syria, the "Syrianization" of Lebanon is the first step toward Islamicization of Lebanon,

in the same way that abrogation of the agreement of 17 May consisted of the outright obliteration of a serious attempt to establish Lebanese neutrality in the Israeli-Arab conflict. For Christians, it was a question of an official approach to the Jewish reality, which they consider a basic stabilizing factor for the minorities of the Middle East and one destined to promote the security and freedom of Lebanese Christians. The Christian national reality is two-dimensional; it exists in time and space; it covers 2,000 years of continuous presence in an area composed of homogeneous or mixed regions. From the outset, therefore, the concept of "region" is essential. "Historical space, verbal space, cultural space,"¹⁵ the region in Lebanon emerges as the necessary framework for protecting and developing community pluralism. For us, there is no conflict between the regional dimension and the process of reunifying the country. A dynamic process exists that is capable of assuring a lasting new stabilization of Lebanon, a prerequisite for avoiding "indifferent pluralism" and the "action of forces encouraging uniformity and centralization," which tend to accentuate the social inequalities between groups and areas. This is not a magic formula but rather an awareness of the past and present historical realities of the Lebanese crisis. The proposal of the Lebanese Forces is clear: it consists of preserving pluralistic society by establishing a federative agreement preserving the autonomy of regions.

What would a federative formula bring to Lebanon?

The establishment of a federation would have repercussions, first of all, at the government level and its relations with the communities; secondly, at the level of relations among the communities themselves--Christians in particular--and between communities and their regional contexts. A major psychological step was taken in March 1984. In succession, the Lebanese Forces and then the Lebanese Front publicly opted (and for the first time) for a federative solution in Lebanon. Of course, the Moslem communities are opposed to this, being motivated in this regard by the desire to maintain the present political system--although modified so as to permit Islam's gradual control over the workings of the state. Nevertheless, the taboo has been lifted. Already Moslems are accepting what they delicately call a "decentralization of development," while rejecting any idea of political decentralization. Deep down inside, the Druzes think differently and dream of carving out a canton for themselves if they cannot succeed in obtaining a ministate. We should add that concerning security, decentralization is already in effect. In fact, the national reconciliation conference of Lausanne (March 1984), which brought together the principal parties to the conflict, with the exception of Lebanese Forces,¹⁶ decided on: neutralization of the regular army, actually equivalent to termination of its national mission; the creation of a High Political-Military Committee (HCPM) under the chairmanship of the chief of state and comprised of the principal militias: Lebanese Forces, Kataeb Party, PSP, Amal.

This means that in reality there is already an outline for a federal solution in the areas of security and responsibility for the daily lives of citizens.

On the government level, the federative system will make possible a readjustment of relations between the government and the various communities, and this will be on two levels: vertical-demographic and horizontal-geographic.

This necessary reorganization will offer each community the possibility of being responsible for the self-management of one or more regions with a homogeneous religious character. The case of mixed regions will still have to be resolved. Jurists will certainly find appropriate mechanisms. These reforms will have to be accompanied by a modernization of government institutions and laws in order to guarantee a harmonious and balanced application of the federal phenomenon and to make it possible to face the cultural, social and economic challenges of the coming decade.

At the level of the communities, and more particularly in the case of Christians, the federal formula will open the way to an in-depth improvement of intercommunity relations. Only this formula, in fact, is capable of providing the guarantees necessary for the development of each community, in complementarity. Thanks to regional self-management, the conflict will be transformed into a competition that will be beneficial to the entire country.

The objective convergence of the interests of Christians and Druzes makes it possible to hope that eventually an arrangement in the federal sense will not be ruled out. It is obvious that a prerequisite of a Druze-Christian agreement will be the return of tens of thousands of Christian refugees to their villages in the Shouf and Aley regions, currently under the PSP's control. We should not doubt that once such an agreement has been concluded, the attitude of Shi'ites and Sunnites, who are hostile to the federative notion, will clearly become more flexible and more accommodating. Historically, the Druze-Christian agreement has constituted the backbone of Lebanon, whether it was autonomous or independent.

But we must look beyond the strictly Lebanese context. The federative system, based on a Druze-Christian axis, will make it possible to establish special relations between Lebanese Christians on one hand and Israeli Jews and Syrian Alawites on the other.

The advantages of such a rapprochement are numerous. It would make it possible, in particular: to settle part of the famous "Eastern Question" by assuring the security and freedom of four Middle East minorities: Christians, Jews, Alawites and Druzes; to bar Soviet expansion on the eastern side of the Mediterranean Basin, already fortified in the north by Turkey and by Egypt in the south; to erect a geopolitical barrier to stem the tide of Islamic, Sunnite and Shi'ite fundamentalism.

What conclusions can be drawn from a conflict that has been dragging on for 10 years?

Above all, Lebanon must be prevented from becoming a second Cuba or a second Iran. To do this, it is imperative to invert the terms of the former equation that states that in order to save Lebanon, the Christians must be saved. From now on, the Christians must be saved in order to save Lebanon.

To achieve this result, the West must overcome its own problems. As Mr Charles Malik put it so well:¹⁷ "The problem is not Lebanon or the significance of Lebanon. The problem is the West. In fact, the Lebanese case is significant

because it raises the problem of the West. Lebanon would have never been a problem if the West itself were not a problem. And the West is not only the problem, but also the solution."

The final word goes to the founder of Lebanese Forces, Bashir Jumayyil, martyr president of Lebanon who expressed his views in this declaration two hours before he was assassinated on 14 September 1982: "We do not want a national Christian household. We want a country in which we Christians will be able to live with our heads held high."

FOOTNOTES

1. Alain Brouillet, in "French Yearbook of International Law," Volume XXVIII, 1982.
2. Libanius: "The Fly in the Multinational ... Ointment," in LE REVEIL (Lebanese newspaper in French), 28 March 1984.
3. THE NEW YORK TIMES, 29 March 1982.
4. Charles Malik, member of the Lebanese Front (Directorate of Christian Resistance), former president of UN General Assembly, former minister of foreign affairs, in THE WALL STREET JOURNAL, 28 March 1984.
5. Leader of Lebanese "Progressive Socialist Party" (PSP); this is actually a mainly Druze party of feudal and sectarian character.
6. Mr Uri Lubrani, "coordinator of Israeli activities in Lebanon," in L'ORIENT-LE-JOUR (Lebanese newspaper in French) of 29 March 1984, quoting Israeli radio.
7. In ASH-SHIRA'A (Lebanese weekly in Arabic), 1 January 1984.
8. In SANA (Syrian official press agency).
9. See: "Viewpoints on the Middle East," No 88, 89, 113, 126, 152, 162 and 165 (published by Media Analysis Center, Jerusalem).
10. On U.S. television networks, 7 and 9 February 1984.
11. In THE ECONOMIST FOREIGN REPORT, 10 March 1983.
12. Regarding the scope of Syrian military resources, the analysis by Drew Middleton in THE NEW YORK TIMES, 28 June and 19 November 1983, will be instructive.
13. Cf. on these questions: a) Edmond Rabbath in "The Historical Formation of Political and Constitutional Lebanon--General Essay," Beirut 1973; b) Antoine Nasri Messarra in "The Lebanese Political Model and its Survival --Essay on the Classification and Development of a Consociative System," Beirut 1983. These two works are "Publications of the Lebanese University."

c) Georges Charag in "Communities and Power in Lebanon," Editions du Cedre, Beirut 1981.

14. Edmond Rabbath in op. cit., p. 83.
15. Riccardo Petrella in "The Renaissance of Regional Cultures in Europe," Editions Entente, Paris 1978.
16. Lebanese Forces did not participate in the Lausanne Reconciliation Conference (March 1984) because they believed those proceedings to be held under Syrian auspices.
17. In article cited.

11915

CSO: 4419/9

BANK OF LEBANON DEALS WITH RISE IN DOLLAR VALUE

London AL-HAWADITH in Arabic No 1443, 29 Jun 84 p 51

[Article: "Discrepancies of the Beirut Dollar"]

[Text] Once again, the dollar rose on the Beirut market, crossing a specific "psychological threshold" which turns its rise into both an economic and a political indicator, and is a matter which draws the interest and attention of those concerned, as well as criticisms.

The dollar had not stopped rising in Beirut since last March, but it recently passed the 6 pound mark which it had not passed since last February, early on in the outbreak of fighting in Beirut, the suburbs, and the mountains.

The latest rise made intensive intervention by the Bank of Lebanon necessary, and in 4 days it sold about \$100 million, with the result that it was able to stabilize the price of 605 piasters. It is said that during this period, the amount that the bank sold each day exceeded the dollar amount that the Central Bank in Federal Germany sold to support the mark.

Opinions differed concerning the intervention of the Bank of Lebanon and the extent of the benefits that might be derived from it. Some compared this intervention in support of the pound to the intervention by the four-member security committee when fighting suddenly breaks out on all fronts: after much effort it arrives at a couple of agreements or more for a ceasefire shoring up the previous one. The committee continues doing this every time, even though it is convinced that escalation will occur, but still it must keep on trying.

Regarding the dollar, the Bank of Lebanon intervenes even though it is convinced that the dollar will resume its climb, because the reasons for its rise still exist, and with each succeeding day they have more of a negative effect than the day before.

Therefore, the intervention of the Bank of Lebanon and the security committee does not result in anything more than a "freezing" of the situation, or a temporary "truce" which soon breaks down. In addition, the intervention of the Bank of Lebanon and the security committee does not in itself

lead to a "freeze"; rather the wishes of the concerned parties are what determine it. Therefore, the intervention of the Bank of Lebanon is not the determining factor in halting the decline of the pound; rather the desire of the speculators for a tactical halt to catch their breaths in preparation for another round, for which the dollars sold by the Bank of Lebanon will provide new fuel, is that factor.

The prevailing belief is that the speculators are stronger than the Bank of Lebanon, not because they possess greater financial capacities, but rather because the Bank of Lebanon uses one weapon, intervention in the discount market, whereas the speculators use a number of financial and non-financial weapons. With the influence they have, they are able to exploit "everything" for their game. On that basis, some suggest that the Bank of Lebanon should cease its intervention because they do not want it to exhaust itself and are afraid of warnings of a decrease in its reserve assets; rather these advise giving the situation free rein, and perhaps the state of financial panic will awaken consciences and cause all parties to take a hard look at what they are doing to the nation.

In contrast to that, others believe that it is the Bank of Lebanon's lot to intervene and not stand with arms folded. Rather, it is its lot to continue to try, just as the security committee does, as do other parties who continuously strive to put out the fire and cool down the fronts. And the sad part of this matter is that it is hard to decide which of the two sides is right, for both are both right and wrong. Perhaps this point of view is the strongest and shrewdest, and that is the important difference.

For the problem of the pound in Lebanon arises from the problem of Lebanon as a whole, and the parties concerned with the problem of Lebanon daily take a number of positions on a number of issues, and it is the same with those who benefit from the dollar game...every day they have a different position and procedure. As for the average citizen who is not concerned by the dollar rise except as it impacts upon his modest savings and the prices of goods that he buys, he is not able to judge whether the Bank of Lebanon is right or not, considering that in the end the results do not differ greatly, whether it intervenes or not.

Hence, the rise in the dollar is no longer a problem, and crossing the 6 pound threshold is not an issue. Just as the Lebanese citizen has gotten used to the sound of bombs and artillery, and has come to no longer seek refuge in the shelter until after the tenth bomb or so, he will likewise tomorrow get used to a new threshold for the dollar price; it will become 7 pounds instead of 6 pounds, indicating that the situation has become "critical". But the important thing is that the pound is the last line of defense for Lebanon, and this is the reason for the increased concern for it, for after 9 years of war almost everything has been destroyed, and nothing remains but it as a symbol of Lebanon's endurance.

BRIEFS

INDUSTRIES DECREASE PRODUCTION--The Mashriq Glass Factory of Shuwayfat intends to reduce its working days to 15 per month, and consequently to reduce salaries by 50 percent. The reason for this step is not a fall in production at the aforementioned factory, but rather the continuation of work stoppages that have been occurring for several months. The reduction in wages is nothing but a mediated formula compromising between full payment and enduring the existing situation for a short while. The Mashriq Glass Factory's undertaking could be followed by the "Solen" factory--the two are sister factories--taking similar steps if the situation remains as it is, which would threaten the welfare of about 350 workers in the two factories, which form one of the largest syndicates, not only in Lebanon but also in the Middle East. The reasons for reducing work hours and pay are well known, and stem from the security situation, the collapse of the infrastructure, faltering exports and an increase in smuggling. The steps taken by the Mashriq Glass Factory are another industrial symbol in Lebanon in the series of big plant closures one after the other, from the plywood factory to the Eternite factory, to the Sil'ata factory, to the 'Usayli spinning mill, to the Ghandour factory which is operating at 10 percent of capacity, to a number of other factories which together form the nerve center of the industrial sector, which is collapsing under the blows of the events. [Text] [London AL-HAWADITH in Arabic No 1443, 29 Jun 84 p 50] 12547

CONTRACTORS' UNION REVOLT--The Lebanese Contractors' Union escalated its campaign demanding to be paid money for completed jobs and projects that is owed to it by the state and for which work vouchers were submitted by the concerned parties. The campaign culminated in a news conference given by the contractors' leader, Shaykh Fu'ad al-Khazin. During it, he was restrained and avoided the use of harsh language or going into details. Al-Khazin estimated the amount owed to the contractors to be about 300 million pounds, and that the problem arose because it is impossible for employees to get to the Finance Ministry, which lies in the commercial center. However, those concerned consider the reason to be other than that. Getting to the Finance Ministry is not impossible, judging from the mail and government stamps being successively drawn. [Text] [London AL-HAWADITH in Arabic No 1443, 29 Jun 84 p 50] 12547

BANK OF LEBANON LOAN CUTBACK--The loans which the Bank of Lebanon gives to operating banks were cut back by 35 million pounds at the beginning of the current month of June. What was remarkable about this limited cutback was that it was the first since last February, when emergency loans to the banks began to increase as a result of the crisis which threatened the First Phoenician Bank. These loans which were given to strengthen the liquidity of some of the banks and to pay the obligations of the First Phoenician Bank rose from about 200 million in February to about a billion pounds by the end of last May. It seems that the loan cutback is a result of the ability of some of the banks to repay their obligations. [Text] [London AL-HAWADITH in Arabic No 1443, 29 Jun 84 p 50] 12547

CSO: 4404/551

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

OPPOSITION LEADER ANALYZES AGRICULTURAL PROBLEMS

Cairo AL-SIYASI in Arabic 20 May 84 p 6

[Article by 'Abd-al-Qawi Makawi: "Why Has the Agricultural Policy in South Yemen Failed?"]

[Text] In his speech before the expanded meeting to discuss agricultural conditions in the governorates of Hadramawt and Shabwah, Aden's President 'Ali Nasir Muhammad blamed the members of his party for not implementing the party's decisions in the sectors of agriculture and cooperatives.

'Ali Nasir Muhammad said: "In my estimation, the results that came out of the first meeting of managers of state farms and cooperatives in these two governorates are important results. If implemented, these results could create a major advancement in the field of agriculture." But as for why these results that were anticipated by 'Ali Nasir Muhammad have not been implemented, this is due to the public policy applied by the ruling regime in Aden. This policy is represented by an exaggeration of accomplishments on paper without these accomplishments having a real impact. This is a traditional policy characteristic of single party countries since there are no other political forces to criticize or reveal falsification of figures and statistics and put forward the other side. Moreover, the lie of criticism or self-criticism in a single party is an extremely big lie.

This is acknowledged by President and Party Chairman 'Ali Nasir Muhammad in his comment: "In reality, we have an overabundance of resolutions and recommendations but they do not find their way into implementation. Some of these resolutions and recommendations that were discussed in these meetings were issued as resolutions of the 8th Session, resolutions of the Council of Ministers, and in some cases resolutions from the Ministry of Agriculture, but they were not implemented."

This means that the mechanisms for the implementation of these resolutions are lacking not in terms of quantity but in terms of quality. For example, while 'Ali Nasir Muhammad acknowledges that the number of members of the Youth Organization totaled 52,000 in 1983, what has this huge number of youth accomplished? Why are they not content to implement the resolutions of the party in the organizations? 'Ali Nasir knows the answer.

These youth enter the Youth Organization not out of satisfaction with the program of this organization but rather as a result of pressures imposed on the students as a condition of entrance into the university, to obtain an academic scholarship to study abroad, or to get a job after graduation. With regard to youth who are workers or farmers, they join the Youth Organization in order to improve their level of performance on the job or to obtain better working conditions.

These and other pressures often make the youth of South Yemen unconcerned about implementing any resolutions related to agriculture or other fields. And while Ahmad Musa'id, a South Yemeni official, acknowledges that there is joint responsibility for the decline in agriculture that has taken place in all governorates, who will pay the price of this responsibility?

The individuals responsible for the decline of agriculture, according to the reports of the Abyan and Lahij committees, are those bureaucratic party members who have become accustomed to issuing orders to the farm workers from their offices or from wherever they spend most of their time gossiping and making pointless comparisons or writing reports against their associates in the organizations and ministries.

If the decline of agriculture in South Yemen has become the foremost and most prominent characteristic of the internal policy of the rulers of Aden, the disorganization in the method of utilizing the land and the diversity of agricultural products are the most important characteristics of this lame policy. Up to this point in time--after more than 15 years since the second agricultural reclamation law went into effect--South Yemen has not arrived at a definite and stable agricultural policy even for simple agricultural crops such as onions, garlic, and tobacco. The confused policy is still the established law for these rulers.

The official responsible for agriculture admits that there is now no coordination among the agricultural plans. The plan is repeated just as the cultivation of the crops is repeated. He says: "We complain about the spoiling of crops and the spoiling of fruits and vegetables, and sometimes we complain about the shortage of supply and import certain fruits, for example, when we have some fruits on hand that we cannot find the opportunity to export." Does not this situation call for both astonishment and scorn at the same time?

If this official complains of the lack of coordination, this is attributable to the growth of party bureaucracy, which has expanded greatly over the past decade in what is a small country with fewer than 2 million inhabitants. The party officials hide behind this new bureaucracy under a smokescreen that conceals their faults and shifts the responsibility for inefficiency to people who are not party members. These people are always suspect to the party until their loyalty to the party and the state is established. The minimum thing against them is that they form the reserves of the counter-revolution.

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This official--and other officials--affirms for the 10th time in his speech to the expanded meeting of farm managers that South Yemen lacks coordination among its plans and points to the difficulties that the lack of coordination creates, especially in the area of supply and the cultivation of feed and other products. With his acknowledgment of this atrocious inadequacy in these sectors, he expresses his fear that the "hostile forces" will exploit this inadequacy and denounce the regime. If this is the situation, then an important question must be asked of this official:

Why have dozens of experts in agriculture, economics, and industry come to Aden over a period of 15 years, including experts from the United Nations and its international organizations, the Soviet Union, Bulgaria, West Germany, all the states of Eastern Europe, China, Cuba, and even Vietnam?

What are these experts doing, and why pay them such enormous fees from the state budget and claim poverty when you have not yet succeeded in coordinating the growing of onions, garlic, and melons and are even incapable of providing feed for animals? Do you read the reports these experts submit concerning the studies they conduct? Or do you not have time to read them because you are responsible for teaching the Ethiopian farmers how to cultivate the land or for fighting among yourselves.

8591

CSO: 4404/533

FM VELAYATI ELABORATES ON RELATIONS WITH JAPAN, MALAYSIA

Tehran ETTELA'AT in Persian 16 Apr 84 p 3

[Text] Dr. Ali Velayati, our minister of foreign affairs, who at the head of a diplomatic and economic delegation had travelled to Japan and Malaysia, returned to Tehran Saturday afternoon. According to our reporter, upon his arrival in Tehran Dr. Velayati was received by the Japanese and the Malaysian charges d'affairs and a number of high-ranking officials of the Ministry of Foreign Affairs.

During his six-day trip to Japan and Malaysia, Velayati discussed and exchanged views with the prime ministers, ministers of foreign affairs and other political and economic officials of the two countries on such matters as their mutual relations and the important problems of the region.

Speaking to the ETTELA'AT reporter at Mihraabad Airport about his trips to Japan and Malaysia, Velayati said: "In the Name of God the Merciful, the Compassionate. The purpose of these trips is to increase and strengthen our relations with other countries based on preservation of mutual rights and respect." Regarding Iran's relations with Japan Velayati said: "Japan has been, during the last year, our first trade partner in the world, and the total amount of our sales to and purchases from the Japanese constitutes the highest figure in our foreign exchange. In view of such a commercial and industrial expansion between the two countries, and also the fact that the construction of one of our greatest projects, i.e., the petrochemical complex, known as the symbol of Iran-Japan relations, which is being completed, has been undertaken by the Japanese, our relations with Japan are important to us. And in addition to the projects previously or presently undertaken by the Japanese, we have recently signed contracts with the Japanese for other projects in the Mubarakkeh Still Mill and the Qazvin Power Generating Center. Furthermore, on the question of accepting more scholarship students to Japan, either to receive a college education or to obtain vocational training, the Japanese have agreed that the number of these students should be raised, in most cases, to double the number we had earlier negotiated. Also in our meetings with the Japanese we emphasized the necessity of maintaining a kind of balance in trade with Japan--a balance that could insure the continuity of this trade relationship be it in the purchase of petroleum or non-petroleum products from us or any sale of goods to us. Finally, since Japan is an industrially advanced nation and Iran is generally interested in making progress

in the matters of industry and technology, we negotiated with the Japanese on the question of importing the Japanese technology and the negotiations were, thank God, successful.

"With regard to the trip to Malaysia, it must be said that Malaysia is the political center of the Southeast Asian countries and the founder of the Islamic Conference, i.e., the idea of the conference was first discussed among the Malaysians, who are also actively involved in various Islamic organizations and among the non-committed; and since we place importance on our relations with the Southeast Asian countries, especially the Islamic nations of the region, our relations with Malaysia are very important to us. Naturally, prior to the Revolution little attention was paid to the relations between Iran and the Southeast Asian countries, for not only was the previous regime non-Islamic, it was also anti-Islamic. Now that we have an Islamic government in Iran which in foreign policy gives priority to establishing relations with Islamic countries, our relations with Malaysia find a special meaning. You are aware that several months ago the Malaysian foreign minister visited Iran. In our trip to Malaysia, which was, in fact, in response to that visit, I conveyed our prime minister's message to Mr. Mahati Muhammad, the Malaysian Prime Minister, a message inviting him to visit Iran. Also during this trip the Malaysian minister of industries was invited to visit our country. Both the Malaysian prime minister and the minister of industries accepted the invitations and it was resolved that they would soon visit Iran. Our talks with the Malaysians regarding cultural exchange were also successful."

In answer to the question as to whether his trip to Japan was in pursuit of strengthening the policy of good relations with the industrialized nations, Velayati said: "What is certain is that we are trying to make ourselves industrially and technologically advanced to the extent that the Islamic Republic could in this respect enjoy a high level of efficiency in today's world. This could only be made possible by establishing relations with the industrial countries who have experience in this respect. Important among these countries and the one in our mind is Japan which is one of the important countries in our negotiations and contract agreements. And since we have always indicated in our formal and informal talks that we seek expansion of relations only with the countries that have no designs on Iran, I believe that our industrial and technological ties with Japan, can, effectively and to a great degree, fulfill our objective."

In reply to the question as to whether or not the subject of the imposed war was also discussed in his talks with the Japanese authorities, Velayati said:

"Generally, the question of the war is put forward by every nation that is a party to negotiation with us. In our meetings with the Japanese, too, it was they who, in the midst of our discussions around Iran-Japan relations and regional and international problems, brought up the question of the Iran-Iraq war and asked about our views on the subject. As usual, we explained to them that our war with Iraq is a defensive war and that we shall continue to fight until our conditions are met and our legal rights are adjudicated."

With regard to the result of discussions on Iran-Japan petro-chemical project, Velayati said: "On this question there was no difference of opinion between the Japanese and us. We wanted the Japanese technicians, who are currently working on the site of the complex to remain there and to complete the project and they have agreed to do so. Therefore, no problem existed in this respect."

On the question of cultural ties with Japan and Malaysia, Velayati said:

"With regard to the creation of a center in Japan for the Iranian radio and television, the Japanese have given their approval for the Voice and Vision of the Islamic Republic of Iran to have an office in Japan. Presently, the ISLAMIC REPUBLIC NEWS AGENCY has a representative in that country. Malaysia too, is considering the expansion of its cultural ties with us."

12642

CSO: 4640/197

TACTICS ADOPTED, TURKISH STAND IN IRAN-IRAQ WAR ANALYZED

Istanbul NEW MIDDLE EAST MONTHLY NEWS MAGAZINE in English & Turkish No 5, Jul 84
pp 10-11

[Article in English by Zafer Atay: "Turmoil in the Gulf"]

[Text]

The warring nations in the Gulf have begun to lose all sense of reason, and are turning this region into a hell on earth. Both Teheran and Baghdad are going to extreme lengths to be the one to strike the mortal blow.

Iran has deployed a five hundred thousand strong force of ill-trained revolutionary guards and civilian volunteers at the frontier, where they await Khomeini's signal to stream into Iraq.

Meanwhile Iraq is buying new SS missiles of high destructive force from the Soviets; ordering cluster bombs from the United States; and making plans to extend the area of use of the French Super Etendard fighters equipped with lethal Exocet missiles.

Tactics

Teheran is endeavouring to bring the fighting down to ground level, where with its vast human resources Khomeini believes Iran will be able to deal the death blow to the Baath regime in Baghdad.

Baghdad meanwhile, is exploiting its superiority at sea and in the air to intensify hostilities in the Gulf.

There can be no doubt that the war has reached dangerous dimensions. Neither the United States, nor the Soviets, nor Iran is prepared to see the Gulf clos-

ed. Now Israel intends to gradually become involved in the situation. But Baghdad shows no intention of lifting its embargo on the filling stations on Kharg Island, which it intends to paralyse. Saddam Hussein reckons on killing two birds with one stone. Firstly, no tanker will dare to approach Kharg Island, fearful of attack by Iraqi jets; and so deprived of its oil revenues, Iran will be put at a serious disadvantage. Secondly, Saddam Hussein is aware that the western world will not permit the Gulf to be closed, since it has such crucial vested interests in the area. Iraq's aim is to provoke the West into pressurising Iran to sit down at the negotiation table in order to save the Gulf.

Where does Turkey stand?

Turkey occupies a special position in the region. Throughout the duration of the war Ankara has followed a very balanced policy. Turkey is the only country which has succeeded in maintaining amity with both sides, and is exerting strenuous efforts to keep it that way. But certain incidents have put Turkey in a very difficult position. The bombing by Iraqi fighters of the Turkish tanker the Büyük Hun as it sailed through the international waters of the Gulf on its way to Kharg Island, resulting in the deaths of three sailors, has increased the tension.

So far almost fifteen tankers have been sunk or seriously damaged in the Gulf as a result of reciprocal clashes, the majority by Iraqi jets, but some by Iran as an excuse to close the Hormuz Straits. Iraq's excuse that Kharg Island and its environs is "a theatre of war. We will bomb anyone who enters it, whoever they may be," is not a viable defence. Turkey is Iraq's close ally, and her neutrality is a factor of far more importance than Baghdad realises. For this reason special guarantees should be given for the protection of Turkish tankers if necessary. Bombing the enemy is a fact of war, but unwarranted rockets attacks on friendly ships in the Gulf, causing the loss of innocent lives and huge material damage is unforgivable.

In my opinion it is the decision-makers in Baghdad and Teheran who are responsible for bringing the bedlam in the Gulf to an end. In any intervention by America, Russia, Britain or Israel in the Gulf, Iran and Iraq would be the first to suffer. Yet regrettably, there are no signs of common sense taking the upper hand in the Gulf ■

TURKISH MAGAZINE COMMENTS ON IRAN-IRAQ WAR, UPCOMING 'FINAL DUEL'

Istanbul NEW MIDDLE EAST MONTHLY NEWS MAGAZINE in English & Turkish No 5, Jul 84 pp 14-16

[Article in English by Ardan Zenturk: "Is the End of the War in Sight?"]

[Text]

Is there any sign that the war between Iran and Iraq, whose recent escalation is jeopardising world peace, is approaching the final leg?

On U.N. General Secretary Perez de Cuellar's recent successful initiative, Iran and Iraq have declared a partial cease - fire, under which both sides pledge that civilian targets will not be bombed. It is this move which has aroused the question posed above.

According to various intelligence sources both Iran and Iraq are preparing for a final duel, a step made inevitable by the considerable change in domestic and foreign balances over the past three and a half years. In particular United States intelligence gleaned from spy satellites reports that Iran has six hundred thousand troops deployed at the front with the object of initiating the "Conquest Offensive."

While half of these troops are regular army units, half apparently are revolutionary guards and volunteers. Although it has been over five months since this gigantic human force encamped at the front, the "final blow" has not yet materialised.

Moreover, since then Iraq has declared the area around the strategic Iranian Kharg Island to be a theatre of war and begun to bomb petrol tankers including Turkish ships, which approach the island, in an effort to cut the enemy's jugular vein Iranian retaliation to this tactic in the territorial waters and airspace of other Gulf countries has created the risk of the war spreading.

Various military sources report that Iraq is at present preparing to resist a possible all-out Iranian offensive with four main defence units south of the front, and that Soviet

Russia has provided Iraq with SS-12 missiles.

In spite of all mediatory efforts military tension in the Gulf continues to escalate. As in the time before a storm breaks there is a build-up of electricity in the air which cannot find a vent by which to escape.

According to certain sources there are two main reasons for Iran's delay in realising the Conquest Offensive, which has been at the planning stage for the past six months: Firstly, Iran has been waiting for the new Iranian Parliament, which officially opened on 6 June, to debate the Five-Point Peace Plan formulated by Yugoslavia and Egypt, and presented to the Iranian leaders by the Indian Prime Minister Indira Ghandi. According to this plan, 1) First a reciprocal cease-fire will be called. 2) Troops will withdraw behind agreed lines. 3) An international peace force will move into Iraq to supervise adherence to the cease - fire (this has already been accepted by Iraq). 4) A non-alligned commission will be set up to establish which side initiated hostilities. 5) An "Islamic Fund" will be established to rebuild the regions devastated by the war. This plan appeared at first sight to be acceptable to both warring nations, and Iran is engaged in studying this peace plan.

The second reason why the Iranian offensive has not yet materialised is the country's domestic problems. The long-drawn-out war has caused tension to arise between the regular troops and the volunteers, and in the north some of the national security forces are fighting separatist ethnic groups.

Fear has also arisen in Teheran that in the face of Iraq's increased arms power an Iranian attack based largely on enormous human forces may find itself choking on its own blood. American military experts comment that the immense loss of life to be expected from such an offensive by Iran is out of proportion to the few square kilometres of territory which may be gained, and that such a move would jeopardise the regime in Teheran.

In that case the Conquest Offensive planned by Iran would be likely to end in a fiasco which could disturb all the existing balances of power in the Middle East.

No one should be permitted to collapse

Military strategists claim that the collapse of Iran in a final all-out clash would be to the advantage of one country in the region only: not Iraq as might be expected, but the Soviet Union.

The Soviet Union, which occupies Afghanistan and which holds Pakistan in a vice between itself and India, its close ally, is highly disquieted by the Islamic revolution in Iran. The Iranian regime aids the Afghan resistance fighters and has been inciting the Shiite minorities in Soviet Azerbaijan. Moreover, the Islamic revolution has proved its opposition to Marxism with the measures taken against the Tudeh Party.

When the situation is analysed in this light it may be seen that in spite of the deep divergencies of attitude in many spheres between the Soviet Union and the Iraqi leaders, Soviet support for Iraq is easily explicable. The West will not stand by and watch the fall of Iran—a nation with a deep-rooted identity as a state—at this point in the war. The Iranian regime is as anti-Soviet as it is anti-western, and in this respect constitutes a vital element of equilibrium in the region.

Alternatively, Iraq's defeat by Iran would result in the rise of Syrian influence over the government and perhaps even the territory of this country. The Baath regime in Syria—the alternative power in the region—has close relations with Moscow, and its feelings towards the Baath regime in Iraq, which at

the outbreak of the war practically froze its relations with Moscow, are common knowledge.

Consequently, to ensure the permanence of balances in the Middle East, and halt the tendency of Soviet influence to increase in the region, the Muslim countries and the West will not tolerate either Iran or Iraq emerging from this war in a state of ruin. If this were to happen there can be no doubt that the Soviet Union would be the sole beneficiary.

The United States in Turkey's footsteps

Since the incidents of 1979 the United States has been antipathetic towards Iran. Yet over the past six weeks, as the truth of the situation sinks in, the United States has been taking a more unbiased stance towards the war. As one American defence expert put it, "The U.S. policy on the Gulf War will sooner or later come around to the Turkish line."

In the light of the latest developments in the region, the Reagan administration does not want Iran to be sacrificed. At the same time, with its pro-western policies, Iraq is seen as an element of equilibrium in the face of Soviet expansionism in the region.

The U.S. and the other western countries have observed how the war has boosted Soviet influence in the region, and how the Gulf is steadily being encircled by a ring of fire. Contrary to its policies of the past 45 years, the West now wants the war to end with a just and equitable settlement approved by both sides, before the crisis escalates to yet more formidable proportions. This is the realistic policy followed by Turkey ever since the outbreak of the war.

The first-ever declarations by Iranian leaders recently that they will accept all diplomatic initiatives to prevent the spread of the war, and immediately following these the announcement of a partial ceasefire has raised hopes in this direction.

It is to be hoped that neither Iran nor Iraq embark on the threatened "final blow" without trying all means of bringing about a peaceful settlement. If not this would be suicidal for both countries, and this mass suicide would mark the beginning of the end for a substantial part of the region, if not in entirety ■

EDITORIAL WARNS ABOUT PROBLEMS OF FOREIGN DEBT

Lahore NAWA-I-WAQT in Urdu 9 Jul 84 p 12

[Editorial: "Foreign Debts--Why Not Implement the Real Solution?"]

[Text] Dr Mahbubul Haq, federal minister of planning and development, addressing UNESCO, declared that the amount of money borrowed by developing countries from international monetary organizations and industrial nations has reached a critical stage. He stressed that postponement of the payment of these debts is not the solution, since the accumulating interest will only worsen the situation. Instead, he proposed changes on the international level to enable the developing countries to export their agricultural products (such as cotton and wheat) and manufactured goods to pay off their debts.

The problem of increasing foreign debts is not limited to Pakistan. This problem is shared by all Third World countries (Asia, Africa and Latin America). Whenever there is an international crisis, such as an increase in oil prices, war and anarchy resulting in irregularities in international shipping, the Third World countries are made to pay the price. The industrialized nations also transfer their share of burdens to the developing countries. At such times, the prices of products from developing countries decrease and those from industrialized nations increase. In other words, every international crisis results in double jeopardy for the developing countries. As a result of this system, developing countries have to borrow to pay installments and interest on their old debts and finally mortgage their national pride and beg for extensions to pay debts.

The seriousness of this problem is evident from the figures published by the World Bank in its report on foreign debts. In this 1983-84 report, Pakistan's foreign debt increased from \$235 million in 1973 to \$759 million in 1975. These amounts do not include interest or the installments already paid. In later years, from \$520 million to \$600 million were borrowed annually. During this period, Pakistan burdened itself with a total foreign debt of over \$10 billion. The annual installment for repayment increased from \$187 million in 1973 to \$528 million in 1982.

While this problem of foreign debts is common among developing countries, it has reached extremes in Pakistan. It is the result of erroneous planning and overspending. Our rulers, economists and "financial wizards" played an

important role in it. They went on borrowing, leaving the task of repayment for the next generation. One example of ignorance and maladministration in this regard is the loan the United States offered to enable Pakistan to meet the situation created by the Soviet aggression in Afghanistan. The \$3.2-billion aid program over 5 or 6 years (Pakistan borrowed half of this amount at commercial rates to maintain its illusion of being nonaligned) is slightly more than the amount sent home by Pakistanis working abroad. We spent most of this debt to purchase luxury goods. Our homes and markets were filled with foreign goods and the government treasury made millions charging import duty, surcharge and sales tax on these goods. Our nation has then to bear all those insulting remarks that the members of the U.S. Senate make when the issue of annual aid to Pakistan is discussed. We have to bear these insults just because our government economic experts believe in live-and-let-live and continue to import luxury goods. We cannot afford this since even after expending the foreign exchange earned by Pakistanis abroad our foreign debt continues to increase. Still our planners and economic experts are not even aware that job opportunities for Pakistanis in Arab countries are decreasing. These countries have been cutting the number of foreign employees since oil prices fell. The amount sent home by Pakistanis working in those countries increased up to 1983; but there was no increase noted in 1984, and it is commonly believed that the figure will decline in coming years. The government, however, does not seem to be concerned about this problem.

The most important suggestion Dr Mahbubul Haq made for solving the crisis of international lending is to allow the developing countries to export their surplus agricultural products (cotton and wheat). This would enable these countries to pay off their foreign debts. This suggestion, however, is not applicable to Pakistan. It only exports rice and during the past few years, we barely have been able to meet our export quota. As for wheat, we only started to export it last year and this year, because of unfavorable rains, the decrease in its production is so great that the best thing we can say is that we will not have to import wheat if last year's reserves are enough to meet the needs of our country. The export of cotton showed some favorable signs over the past 3 or 4 years, but the failure of cotton crops this year forced us to import large quantities of cotton. We are so careless and disorganized that in spite of being an agricultural country with limitless resources, we had to import onions last year, and this year we are going to import potatoes. Pakistan is capable of exporting sugar in large quantity, but because of its inferior quality and cost, this is not practical.

All this clearly indicates that the suggestion made by Dr Haq about alleviating the problems of developing countries by allowing them to export their surplus agricultural products does not help Pakistan. Schemes to help developing countries cut their burden of foreign debts implemented by the United Nations and other international agencies might help Pakistan to an extent. But this will not be enough to help us become self-sufficient. We have to depend on our own resources, live within our means and find ways to increase our productivity. We have to economize and practice frugality. We cannot afford to ignore this problem anymore. It is difficult to cut down on our individual

needs, but the modern and comfortable life that we are trying to lead is also leading us toward heavy indebtedness. That is grossly wrong. Dr Mahbubul Haq may enjoy representing developing countries in UNESCO, but he must see that Pakistan's economic and social planning is implemented in such a way that we are not forced to leave heavy foreign debts to our future generations.

7997

CSO: 4656/182

OFFICIAL TALKS ABOUT WHEAT PRODUCTION, EXPORT

Karachi DAWN in English 14 Jul 84 p 3

[Text]

LAHORE, July 13: Maj-Gen. Muhammad Akram, Managing Director, Pakistan Agricultural Storage and Services Corporation (PASSCO), has said that a sum of Rs. 700 million in foreign exchange was earned by his company by exporting 2.75 lakh tonnes of wheat during the last financial year.

In a radio programme "bilmushafa" broadcast by the Lahore station of Radio Pakistan on Thursday night, he said that Pakistan had not only become self-sufficient in wheat production but was also exporting it to other countries such as Iran, Dubai and Nepal.

Maj-Gen. Akram said that a scheme to develop a wheat exporting zone consisting of the areas of Okara, Sahiwal and Multan District was under the consideration of the Government.

The PASSCO would provide special varieties of wheat seed to the

farmers of the areas to produce better quality wheat for export purposes, he said.

Maj-Gen Mohammad Akram said that PASSCO was also considering to provide inputs including fertiliser, pesticides and other incentives to the farmers of the proposed wheat export zone in order to produce better quality wheat.

Answering a question he said that PASSCO also supplied 25,000 tonne of wheat to the Afghan refugees on behalf of the Australian government. PASSCO has developed an open head bulk godown with a wheat storage capacity of 5,250 tonnes on an experimental basis. Similarly, he added, the bulk combined harvesting system had been used in Okara district.

Answering a question he said that PASSCO was trying to evolve a method of purchasing wheat from the farmers without involving a middleman.—PPI.

CSO: 4600/653

CAMPAIGN TO MAKE URDU OFFICIAL LANGUAGE FALTERS

Lahore NAWA-I-WAQT in Urdu 27 Jun 84 p 10

[Editorial: "Non-Implementation of Urdu as National Language Criticized; President Urged to Issue Orders for Use of Urdu in Offices"]

[Excerpt] Although Urdu has been declared the national language, the delay in its adoption as the official language is not due to any difficulty or constraint but is the result of expedience, indolence and error. After the establishment of Pakistan, just as the delay in forming a constitution provided an opportunity for provincial and regional problems to come out into the open after being suppressed due to the incorporation of a national way of thinking in the Pakistan movement, so it also paved the way for demands that Bengali, too, should be given the same status as that of Urdu as a national language. This demand was later accepted, thereby diluting the importance of Urdu and strengthening the hand of the lovers of English. There was no complicity in the 1973 constitution. On the contrary, only a year before it was adopted and enforced, the coalition governments of NAP [National Awami Party] and Jamiat in both the Frontier and Baluchistan Provinces decided to make Urdu the official language and formally made an announcement to this effect. In Kashmir, Urdu has been enjoying this status right from the beginning. In Punjab, practical measures have been taken since 1950-51 to make Urdu the official language. But the lovers of English in the bureaucracy prevented these efforts from being successful.

This group, which considers English to be the symbol of its privileged position and domination, has been putting forward excuses for making Urdu incapable of becoming an official language in its attempt to maintain and further strengthen its position. This group has been internally demonstrating its strength and influence by deviating from the national education policy under which Urdu was declared the only medium of examination in matriculation by 1989. But in May 1983 a legislative amendment was passed whereby educational institutions involved in preparations for foreign examinations were exempt from this requirement. Whatever the advantages of English may be it has never been useful as an official language. Offices are meant to be for the service and welfare of the people. Despite the fact that English had been made compulsory for over 150-200 years, the number of people having command over English does not exceed 4-5 percent. We are well aware of the necessity and usefulness of English in technical fields such as engineering, medicine and science. But

there is no point on insisting on maintaining English as the official language just for the sake of its limited usefulness in technical fields. But the tragedy is that the requirements and interests of a few are being imposed by force on the whole nation with the result that we are literally faced with a situation that might be characterized by saying that although the mouth is our own, we have a foreign tongue.

The English language, despite its overwhelming domination in government circles, is forced to retreat when pitted against Urdu among the common people. As far as newspapers and journals are concerned, the position of English is only somewhat better than those of regional languages. But as far as traditional support goes, English newspapers are not only given more advertisements but, despite their restricted circulation compared to that of Urdu newspapers, their prices are also higher. The same is true of education. Though compared with Urdu the lovers or the number of people benefitting from English are very few, Urdu schools can only hope to receive the patronage and encouragement provided to English schools by the government and this hope quite often turns into disappointment. The present government no doubt sincerely desires that Urdu should develop and progress, and President Mohammad Ziaul Haq has given Urdu a new direction and dignity by addressing not only official functions but also functions given in honor of foreign dignitaries in Urdu. It would be unjust not to acknowledge and appreciate these gestures. But as far as the matter of giving to Urdu its rightful position as the official language is concerned, what is now required is not suggestions but clear-cut, unambiguous and definite instructions. If matters relating to the Ministries of Information and Broadcasting and Religious Affairs can be conducted in Urdu, then the affairs of other ministries, departments, corporations and boards will not be hindered if they are switched from English to Urdu. However, 37 years after Pakistan came into being, Urdu should be given the position that was not only accepted during the Pakistan movement without any opposition or mental reservation but that was also expressed publicly.

9315

CSO: 4656/173

SIND NEEDS HELP IN PROVIDING FOR WORKERS OF OTHER PROVINCES

Karachi AMN in Urdu 28 Jun 84 p 2

[Juma Khan column: "Help Sind--The Mini-Pakistan"]

[Text] Mr Salim Saifudin Khan, finance minister of the Frontier Province, has presented a record budget of 4,234,700,000 rupees for the new fiscal year, with the announcement that no new tax would be imposed and the deficit of 1,998,000,000 would be paid by the federal government.

The budget of Sind is only 5,731,000,000, no new taxes have been imposed and a deficit of 980 million rupees is indicated, which it is said will be paid by the federal government. There are only 1,533,400,000 rupees for development projects in the Sind budget, whereas there are 1,144,700,000 rupees for development projects in the Frontier Province budget.

These facts and figures show that the federal government will pay the Frontier Province 2 billion rupees and Sind only 980 million rupees in aid to make up for the deficit in their respective budgets. The next important point is that the sum of the Sind development budget is only 290 million rupees more than that of the Frontier Province. First of all, if the Frontier Province government has the right to make a budget showing a deficit of 2 billion rupees to be met with the help of the federal government, why can the Sind government not likewise present a budget showing a deficit of 3 billion to be met with aid from the federal government? If the Sind government had the right to do so, then why did it show a deficit of only 980 million rupees and not demand more aid from the federal government? How could a federal government that can give the Frontier Province 2 billion in aid refuse to give Sind aid of 3 billion? There are only 1.53 billion rupees for development in the Sind budget whereas 1.24 billion rupees have been earmarked for the same purpose in the budget of the Frontier Province. This means that the Frontier Province budget is only 290 million rupees less than that of Sind.

Everybody knows that the population of Sind is much greater than that of the Frontier Province, and the needs of Sind are much greater than the needs of the Frontier Province. We cannot overlook the fact that the federal government gets greater revenue and taxes from Sind than from any other province in the country. As a matter of principle, the federal government should give more aid to the province that brings higher income to the government. The backward

regions should, no doubt, be given aid, but this aid should not be so disproportionate as to make the backward regions prosperous and the prosperous regions destitute.

One important fact about Sind should always be kept in mind. Between 200,000 and 300,000 people from the Frontier Province, Azad Kashmir, the tribal area and the rest of the country come to find jobs in Sind every year. They make temporary homes while they stay here. In this way, new tenements are rising here all the time. In Sind, more than in any other province in the country, there is a constant shifting of the population. If the people who come to Sind were to stay here permanently with their families, the situation would not be so complicated. But most of the people who come here to seek employment leave their families at their homes in other regions and send them a definite sum of money regularly. Their income does not bring any benefit to the Province of Sind. On the other hand, the government of Sind has to spend money on these people to give them employment, medical aid, education, housing and transportation. These people who come from other provinces are mostly laborers or low-pay workers who are exempt from all taxation. They do not add to the income of this province, but the money they send home to their own provinces adds to the prosperity of those provinces.

This is a nagging problem that somehow has to be solved. One way would be for the federal government to deduct a set amount of money from the aid given to other provinces and in this way pool enough money to spend on the maintenance of those who come from other provinces to Sind. In this way, the Sind government would be spared the unbearable burden of accommodating these people. If the federal government is not willing to take this responsibility, then justice and fairness demand that the provinces whose inhabitants have taken up temporary or permanent residence in Sind should give financial help to the Sind government in its programs for looking after these people. In view of the facts cited above, it is quite unfair to give a grant of 2 billion rupees to the Frontier Province and only 980 million rupees to Sind. The Frontier Province will get 1.24 billion rupees for development and Sind only 290 million more, that is 1.53 billion rupees.

Hundreds of thousands of people from Punjab, the Frontier Province and Baluchistan are living in Sind. They belong to divided families most of whose members are living in their ancestral homes. Nobody has ever taken the trouble to learn the conditions under which these people live in Sind. None of the governors, ministers or councillors of their own provinces (or even the federal councillors) ever visit Sind to make enquiries about these people. Perhaps these governments are glad to be rid of a part of their population. This is a very selfish attitude. The people who come to Sind for employment have not left their own homes and provinces completely. They send a portion of their earnings to their own provinces regularly. Hence, it is the duty of their provincial governments to look after them and help the Sind government give them the facilities they require.

More people have come to Sind from Punjab, Baluchistan, the Frontier Province, Azad Kashmir and the northern region than have left Sind to live in other

provinces. Sind has more citizens of different provinces than any other province in Pakistan. In a way, we can call Sind a mini-Pakistan, with people belonging to every province and region in the country. The Sind government cannot afford to bear the burden of looking after so many people single-handedly. The federal and various provincial governments should do their duty in this respect and save the economy of Sind from being crushed under its present burden.

12476

CSO: 4656/179

SIND GOVERNMENT TO RECONSTRUCT LAND RECORDS

Karachi DAWN in English 9 Jul 84 p 2

[Text]

HYDERABAD, July 8: A survey will be conducted and the record of rights will be reconstructed to determine the rights of land and a decision in this respect would be made very soon.

This was stated by the Sind Minister for Revenue and Culture, Mr. Abdul Ghafoor Bhurgari while talking to a delegation of the Sind Chamber of Agriculture here on Saturday.

Regarding collection of ushr without proper assessment and before time, the Minister assured that a joint meeting with the Sind Minister for Zakat and Ushr will be held at Karachi to finalise the matter in consultation with the representatives of the Chamber of Agriculture.

About shortage of water in canals and the demand for no recovery of water rate for "dubari" crop from growers, the Minister said he would take up the matter with the Sind Governor and the Sind Irrigation Minister.

He stressed upon the zamindars and growers to increase production so as to achieve and fulfil the country's requirements.

The delegation which was led by Syed Qamaruzzaman Shah brought various problems faced by the growers and zamindars to the notice of the Minister.

Talking to a delegation of the District Zakat and Ushr Committee of Hyderabad led by its Chairman, Syed Wasi Mazhar Nadvi on Saturday afternoon, Mr. Bhurgari stressed upon the chairmen and members of the Zakat and Ushr Committees to ensure proper distribution of funds among the deserving.

Regarding a suggestion for hold-

ing a provincial conference of the chairmen of the Zakat and Ushr committees and the abadgars to discuss the Ushr collection and utilisation system, the Revenue Minister said he would take-up the matter with the concerned authorities.

The Minister discussed with the delegation the various problems being faced by the abadgars in connection with the collection of ushr in the province.

Our Larkana Correspondent adds: Talking informally to newsmen in the Circuit House at Larkana, Mr. Bhurgari said the preservation of the records of rights on microfilm was under the active consideration of the Sind Government. This would leave no room for misappropriation and fictitious entries.

He observed that for the disposal of land a high-powered committee would be set up and efforts were being made to allot land to deserving and landless farmers. Strict precautions have been taken so that the orders are implemented in letter and spirit, he added.

Mr. Bhurgari warned that any Tappedar found indulging in bogus and incorrect "partal" would be dealt with sternly and such allotments would be fully scrutinised to protect the rights of farmers and small khatedars.

He said the land grant policy recently introduced in Dadu, Thatta and Badin will be expanded to the entire province, keeping in view the interests of the Haris. He added that loans on soft terms would also be provided to them.

Mr. Bhurgari announced that Evacuee Trust properties will be distributed among Haris too. For this meetings at Divisional level would be held.

COMMENTARY ON SHOORA BUSINESS, INDIAN PLANE HIJACKING

Karachi DAWN in English 9 Jul 84 p 7

[Article by M. A. Mansuri in the "Islamabad Diary" column: "Shoora Members and Elections; Ripples of Hijacking Drama"]

[Text]

THE latest developments in India and their possible impact on the prevailing state of politics in Pakistan were the most talked about subject, last week, in Islamabad. The expression was once again, marked by anxiety, confusion and concern — by now a familiar pattern.

Mir Ali Ahmad Talpur's statement, a couple of days before Eid, asserting that the 1973 Constitution was un-Islamic, that Pakistan should emulate Saudi Arabia, and that the "seat of power" should be filled before elections, seems to have deepened the suspense about the mode of elections and restoration of a representative government, in accordance with the August 12 plan. He holds an important portfolio in the Federal Cabinet and was not expected to make a comment on such ticklish issues without being aware of how such a statement would be interpreted.

Four days of holidays (five days in banks), in connection with the Eid, did not distract people's attention from Mir Sahib's statement which continued to be analysed at various levels, variously, with remarks some of which were plainly cynical. Only Mir Sahib knows whether he was throwing a feeler about some plan which may be in the offing, or he was articulating his own thinking. But this was the second time within the past few

weeks that he sounded a warning against "a disaster" which, he believes, Pakistan may have to encounter "in case it failed to fill the seat of power before elections".

His latest statement was followed by reports that the district-level administration throughout the country was under instructions to prepare lists of Majlis-i-Shoora members, and other 'right kind' of candidates who could succeed at the forthcoming polls on their own efforts. The Shoora's Chairman, Khawaja Mohammad Safdar, was also reported to have stated that 60 per cent of the present Shoora members would contest the polls.

Then there were reports that elections for Provincial and National assemblies were planned to be held in December this year, and prior to that, elections for the Presidential office may be held as suggested by Mir Sahib. But, apparently, the Election Commission was completely ignorant about it — if there was any such plan. A section of the local Press quoted the Election Commission sources as saying: "We have no instructions in this connection or for that matter in any connection so far as the elections are concerned."

These sources were also reported to have said that the basic thing was the framework for the next elections which has not been communicated to the Commission as yet, and unless the Commission was supplied with a new set of rules, it would be guided by the Presidential Election Order, of 1980, issued three years before the August 12 plan had been announced.

However, most of these statements and reports were treated by people with indifference which is what they now usually display towards statements of the political nature from whichever source they may come.

Most of our newspapers and other media devoted more space and time to the ugly developments in India, last week. The heroic performance of Afghan Mujahideen in Panjsher valley, which was receiving top priority till recently, official statements highlighting the country's economic achievements in the past seven years, or stories of the activities of dacoits in Sind were all lost in the din that was raised about the happenings in East Punjab, Bombay and the Indian-held Kashmir.

Strange coincidence

There can be no apparent link between these developments, in India and the prevailing state of politics in Pakistan, except that both appear being pushed into unpredictable directions. Besides, the hijacking of an Indian airliner from Srinagar to Lahore, in the midst of confusing developments in India, reminded many people here of the 'Ganga' episode, 13 years ago, which proved to be a prelude too a big disaster for Pakistan.

It was a strange coincidence that the hijacking of the Indian airliner took place on July 5, which marked the seventh anniversary of the martial law Government in Pakistan. The Federal Cabinet was in the midst of a marathon session when it was informed of the hijacking. Islamabad remained completely calm and quiet. In Rawalpindi, however, people felt the bolstered presence of law-enforcing agencies, perhaps, because of rumours that the Opposition was planning to create trouble on July 5. In the evening, queries about law and order situation in the country had changed into questions about the hijacking and its possible sequel.

People could not forget the previous week's reports from India ab-

out clashes between the Indian and Pakistani troops in the northern areas of Kashmir which were said to have resulted in several casualties, and the earlier reports that India had occupied a big chunk of the area there which had been in Pakistan's possession from 1948. Everybody was trying to guess, in the light of such unconfirmed reports, what Mrs Indira Gandhi was trying to achieve by creating more problems in occupied Kashmir, so soon after her military operation against the Sikhs in East Punjab, while the anti-Muslim riots in Bombay, sending over 65,000 persons to refugee camps, must still be fresh in the minds of the Indian Muslims, and she herself is about to go to the polls for another term. What impact her resort to seemingly undemocratic means to resolve problems of India's democracy was likely to have on Pakistan was another question engaging the minds of many people here

However, efforts by both India and Pakistan to improve their bilateral relations are continuing unabated. The Indian information and Broadcasting Minister, Mr H.K.I. Bhagat, arrived here on July 7 on a five-day visit at the invitation of Raja Zafarul Haq, his Pakistani counterpart. The Foreign Minister Sahabzada Yaqub Khan, is due to break journey at New Delhi on his way to Maldives on July 9. From there he will accompany the Indian Foreign Minister, Mr Narasimha Rao to Maldives, where both of them will attend the SARC's (South Asian Regional Cooperation) Foreign Ministers' meeting, availing of the journey for informal chat on bilateral issues.

Though no one expects any spectacular results from the current talks between the two Information and Broadcasting Ministers, or from the forthcoming informal chat between the two Foreign Ministers, their meetings do indicate that the accusations in India of Pakistan's involvement in the East Punjab Episode and similar other reports have not been allowed by the two Governments to impede their efforts for an improvement in bilateral relations.

NEW TAXATION MEASURES: OBJECTIVES ANALYZED

Karachi DAWN in English 14 Jul 84 Business Supplement p III

[Article by Muhammad Saleemuddin]

[Text]

PAKISTAN is considered to be fairly under-taxed country. The tax-GDP ratio which was raised from 11.43 per cent in 1976-77 to 15 per cent in 1983-84, is still low with the ratio in the countries with similar endowment

For instance it is 23 per cent in Malaysia, 22 per cent in Indonesia, 17 per cent in Sri Lanka and 16 per cent in South Korea.

The government has earnestly been trying to develop internal resources in order to reduce dependence on external resources and on deficit financing. Due to these efforts not only the gap in ADP financing has been reduced from 34.96 per cent in 1978-79 to 21.40 per cent in 1983-84 but the ADP financing through internal sources has also increased from 11.75 per cent to 28.38 per cent during the same period.

Energy prices

The Budget for 1984-85 also aims at increasing internal resources for financing development programme. The Budget also aims at increasing the tempo of investment activity in the country, focussing in the public sector on energy and in the private sector on basic industries particularly capital goods industry involving high technology. Public sector resource mobilisation effort is mainly confined to

the previously declared policy of correcting energy prices to ensure that the present users of energy resources pay for the future discovery and development of these resources. Other measures provide relief over a wide range.

The policy of using the resources obtained from the energy sector for financing the energy projects has yielded desired results. There has been a valuable increase in the production of oil and gas. In 1983-84, 29 new wells were spudded and 9 wells which were started earlier were completed.

This level of activity extending to 38 wells in the oil and gas sector set a new record for the country. Normally in exploration of oil the expectation is for the success of one well out of 10. Pakistan's record has generally been better than the world average. On the basis of 127 exploratory wells which were drilled in more than 30 years upto 30th June 1983, the record has been one successful well out of six. The year 1983-84, however, created, a new record of success in the exploration of oil and gas. During the year 10 exploratory wells were completed in all respects, out of which, gas and oil has been struck in as many as six wells.

The production of oil which had increased from roughly 11,000 barrels per day in 1981-82, to around 13,000 BPD in 1982-83, reached 17,500 BPD in early June. And it is expected to increase to 20,000 BPD early this year which would be almost double the level of 1981-82.

In spite of this progress the country is faced with enormous gaps in energy supplies and is still largely dependent on imported energy. The solution of energy problem requires a concerted national effort. Hence most of the increase in the Annual Development Programme has been allocated for the energy sector. One-third of the ADP has been earmarked for energy projects and further increase in this allocation will be required in future years.

This is a necessary step to solve the energy problem. But what is even more important is the manner in which the resources are mobilised for this purpose. It is only fair that the additional resources are generated for the purpose by increasing the price of energy itself instead of increasing the level of general taxes. It would not be out of context to recall that it was the determined policy of the Government that difference in the price of gas and oil should be narrowed by raising the prices of gas and resources so raised are spend in completing new projects in the field of energy.

Readjustment

In this context the gas prices have been raised by 20 per cent in 1984-85 Budget. However, the increase for domestic consumers will be about half of the average increase for other consumers. In spite of this increase the price of natural gas will be many times lower than

the price of other sources of energy.

For consideration stated above and also as a further step towards achieving self-sufficiency in energy, the prices of petroleum products have also been raised by 6 to 8 per cent. This readjustment in prices according to an estimate will increase the cost of living by only 0.07 per cent.

The Budget for 1984-85, provides a considerable relief to the tax payers. The rate of tax at the lowest income scale has been reduced from 15 per cent to 10 per cent and at the middle income level an additional slab has been introduced to make the progression in tax rates more gradual. These changes are designed primarily to ease the burden of lower and middle income groups. The new rate card will apply to assessments for the year 1985-86 and for the purpose of deduction of tax from salaries, it shall apply to salaries payable with effect from 1st July 1984. The loss of revenue on account of this measure is estimated at Rs. 299 million per year.

The tax relief available to the employees due to the change in tax rates, after taking into account the benefit of maximum investment allowance is given below:

Total Income Rs.	Tax on old Rates Rs.	New Rates Rs.
30,000	840	573
40,000	2,207	1,873
50,000	4,507	3,907
60,000	7,707	6,774
70,000	11,042	9,675
80,000	14,373	13,206
90,000	17,972	16,540
100,000	21,640	20,140

Apart from this a further concession has been provided in furnishing statement of assets. At present every tax-payer whose total income is Rs.50,000/- or more is required to furnish a statement of his total assets and liabilities. This limit has been raised to Rs.100,000.

Bank deposits

For the first time it has been decided to tax interest income on bank deposits. A system of tax withholdings is operative in Pakistan to

provide convenience in both the collection and payment of income-tax. Unlike most other countries, however, there is at present no withholding tax in the case of interest payable on bank deposits. It has, therefore, been decided that a 10 per cent deduction of tax shall be made from interest on bank deposits exceeding Rs.1,000/- in a financial year. Profit and Loss sharing accounts and foreign currency accounts shall be outside the purview of the new withholding provision.

The Budget for 1984-85 provides some significant incentives to promote industrial investment. It seeks to encourage the establishment of industrial estates in the less developed areas and makes it possible for the private sector to take part in the enterprise. A related idea is the setting up of the Regional Development Finance Corporation, which is to identify opportunities for investment in the less developed regions. The Budget provides incentives for high-technology industries like computers and solar energy, besides seeking to promote the development of engineering industries and agro-industries enterprises. The pharmaceutical industry is to be encouraged to undertake the local manufacture of basic chemicals based on locally available materials.

Dual purpose

In short taxation proposals in the Budget for 1984-85 will not only boost industrial sector and raise sufficient funds for the development of energy sector but will also go a long way in curbing consumption of inessential commodities, protecting certain domestic industries, increasing the level of savings and investment in the economy, pushing up exports and minimising the impact of taxation proposals on the poorer sections of the society. Some of the taxation proposals are said to serve a dual purpose. For example, the excise duty levied on beverages and will not only protect the local industry but also raise revenues. In the same way raising duty on cigarettes will curb its consumption.

PAKISTANIS ARRESTED IN VIENNA

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[Text]

VIENNA, July 8: Nine persons, arrested by Austrian police and all thought to be Pakistani nationals, evidently planned to take hostages in the Austrian capital, a senior police official told a Press conference on Sunday.

The nine persons had been arrested in three different boarding houses in Vienna.

Interrogation was proving difficult, since the men spoke only Urdu and Pashtu.

Carrying forged British passports, they had probably entered the country by rail in three different groups, travelling from the Middle East via Greece and Italy. The men had in their possession explosives and various firearms, including seven Belgian nine-millimetre pistols, Beretta, automatic rifles with loaded supplementary magazine and five "Primed" Kowezhnikov hand-grenades usually used in the East bloc countries.

The police spokesman said there was nothing to indicate that the arrested men had planned any kind of action at the impending meeting of the OPEC (Organisation of Petroleum Exporting Countries).

The police had arrested the men after receiving a tip-off from a hotel employee.—DPA.

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